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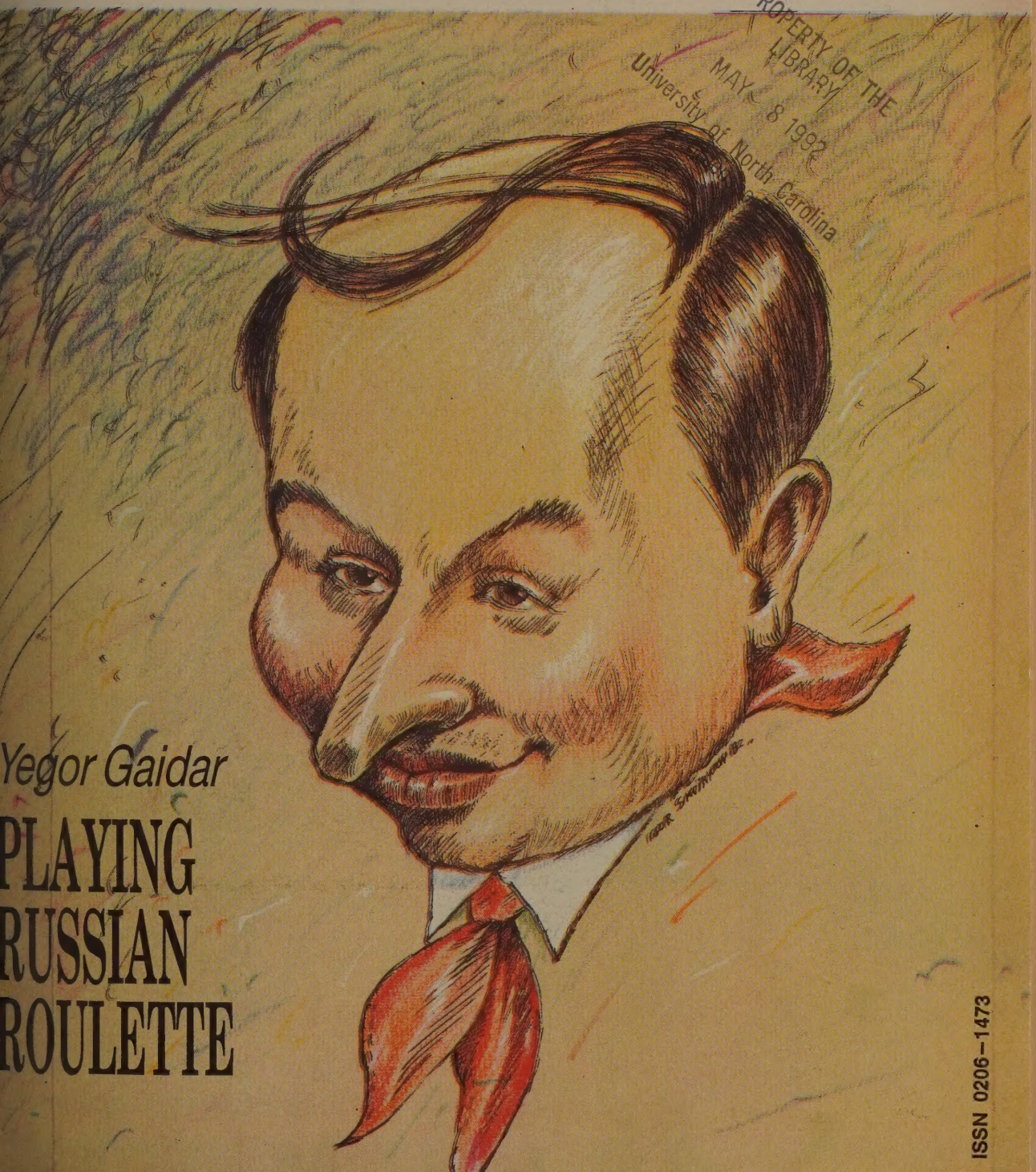

Yegor Gaidar

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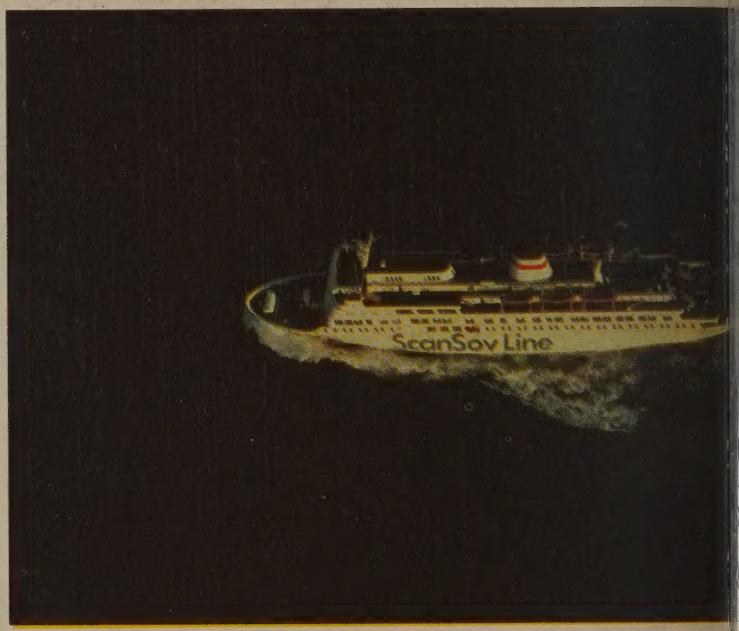

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16/92

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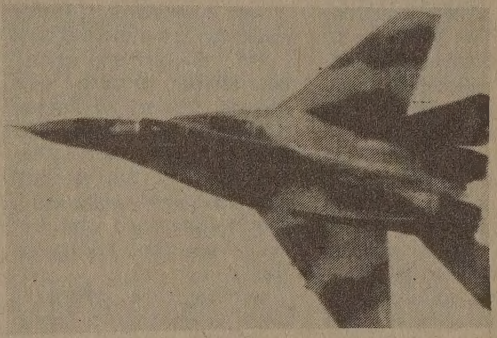

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Cover by Igor Smirnov

LETTERS

Market economy?

In many of your articles I found some belief that it can work miracles... The socially-oriented market economy and Western democracy cannot be the ultimate goal of mankind's progress, but they can become the ultimate point of human development if we recall, for instance, the threat of an ecological disaster which the socially-oriented market economy is unable to prevent by itself.

It is worthy of regret that the basically good idea of a classless free society in which people live according to their abilities and needs, not from privileges afforded by party membership or social position, has been discredited for years to come by 70 (or 40?) years of "real" socialism in your country. For the idea of a classless society originated in ancient times. It could be found in the Bible nearly 2,000 years ago. Perhaps it will survive and will be realized in the long run.

Andreas Heinz
Germany

"A hard nut to crack"

The problem of four South Kuril islands discussed in Leonid Mlechin's article "A hard nut to crack" (No. 3/92), is absolutely clear for me.

Germany, as the main aggressor, was punished. East Prussia was taken away from it and, it should be believed, for ever. Japan was punished too. Such are the laws of war: the victor receives what he desires. Let Japan be grateful to fate that a larger part of territory was not taken away from it. The lot of the vanquished is to submit to the victor's will. References to the 1956 declaration are simply ridiculous. The author of this idea is Nikita Khrushchev, who managed to give the Crimea away to Ukraine, with all ensuing consequences. The bitter experience of the Crimea must sober those who irresponsibly play with the destiny of people who live on our territory. Not an inch of our land should be handed over to the Japanese Samurais! If not to us, better to no one!

Lev Glazachev
Tula

Beer to the USSR

I am a pensioner, a former electrician at the iron and steel works. Television shows poor businessmen drinking wine and eating caviar. I have forgotten the taste of caviar long ago. It is interesting where they worked during the years of stagnation when we, believing in the radiant future, worked in smoke and soot, ruining our health.

Watching the television, which luckily has not broken yet, for I have no money for repair, I think why the time machine was not devised. I would return to the years of stagnation, eat enough, buy shoes, trousers and a shirt. And, perhaps, I will remain in that period forever.

I do not believe anyone: neither former Communists who lost the Union, nor new Democrats with their promises.

With life like this some people would like to take up arms and rally under red banners. Instead of building, they will begin to destroy again. It has become terrible to live.

Yu.Fedotovsky
Cherepovets

Market madness

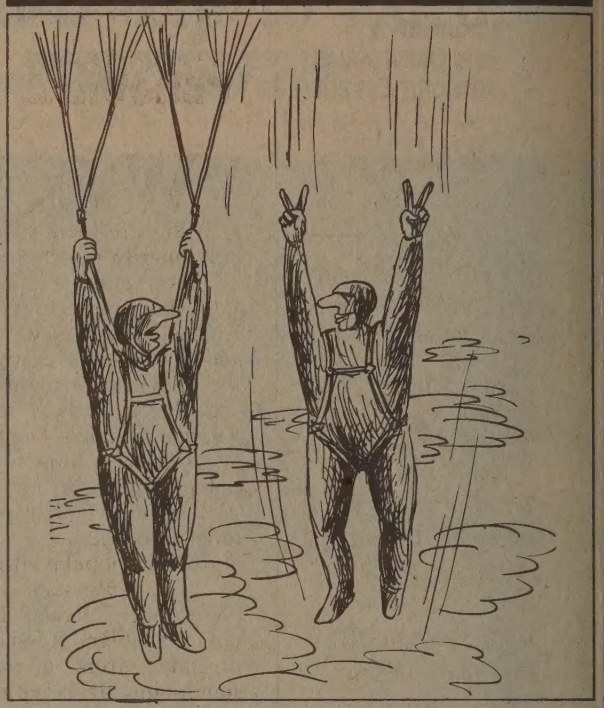
We can talk about the collapse of the "Stalinist model," not of socialism or communism. The bankruptcy of capitalism must not be underestimated or overlooked. We in India have enough experience in the wretched system of capitalism. You talk about the collapse of communism, but in not a single country of the world has there been true socialism, which is the lowest stage of communism.

America is the biggest debtor of the United Nations. It is the biggest debtor of its own people. You will experience symptoms of the approaching revolution in America in the years to come. I request you not to be hasty in copying the rotten system of capitalism.

We the common people of India are victims of the market economy or, as they praise it, "privatization." The Indian working class hates capitalism. We have faith in socialism as a system which cares for its citizens rather than a handful of people.

Jagu Belani
Bombay, India

THE WAY I SEE IT



Drawing by Arkady Gursky

Anti-Semitism was invented in Europe

A few words regarding the interview with the PLO leader "Anti-Semitism was invented in Europe" (No. 44/91), since it was published without comments.

The PLO leader declares that his organization cannot be anti-Semitic because the Arabs, and Palestinians in particular, are Semites themselves.

The usual notion of anti-Semitism was at one time reduced to Judophobia and has little in common with the broad interpretation of the word "Semite." Thus, there is a cunning substitution of notions in the statement of the PLO leader.

The PLO leader speaks in a way as if nothing is known in the world about the Palestinian terrorists' attack on a tourist ship, as if a disabled person was not thrown by PLO members into the sea together with his wheelchair, as if there were no attacks on school buses with children and the hijacking of planes. Was it not the PLO leader who approved Saddam's missile attack on Israel, a country neutral during the Persian Gulf war, and called for drowning Israel in blood?

Yefrem Imas
USA

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PARLIAMENTARIANS OPEN DOOR OF PERSONAL AUTHORITY TO BORIS YELTSIN

"What on earth are they doing, those deputies? They're only interfering with the President's work!" an elderly lady angrily retorted when a Moscow TV interviewer buttonholed her outside the entrance to a large plant. Evidently that is what Boris Yeltzin sought to achieve when, in spite of the views some immediate aides voiced, he agreed to the Congress of Russian People's Deputies being held at the darkest hour, when most of the population are in extreme straits. He thus showed that as a leading CPSU functionary he has a good understanding of the popular attitude to authority in Russia. The Russian philosopher Nikolai Berdyayev once noted that in Russia power is appreciated from a purely utilitarian standpoint. It is either feared as a force, or respected as a source of boons. Otherwise the system of values, political, ideological or moral, falls on deaf ears. In other words the man accepted in Russia today is not the law-abiding democrat or Simon Pure politician, but one who can give something and make people do something. In the Russian's eyes that is politics, whereas to criticize, propose, argue and invoke is so much claptrap.

Both before and during the Congress Boris Yeltzin spared no effort to demonstrate to the public this difference between himself and the deputies. While recognizing his government's universally obvious mishaps, the President laid on the colours thick to picture it as the one and only body doing something. To shore this up, he gave the populace something before the Congress, almost doubling minimal pensions and putting off petrol price hikes. The government's measures were represented as part of the programme for Russia's revival, as a bitter but necessary pill for society to swallow, as an implement that would not only destroy but also create. The federative treaty Yeltzin's team wangled was dished up as an historic victory for Yeltzin's policies over those of Gorbachev. The USSR President had failed to get the Union Treaty signed; Russia's President had got his federative treaty concluded.

The fact that the Russian leader and his aides were stretching points in their argument was too obvious for the opposition not to capitalize upon this to voice crushing censure. Though this criticism was logical, it failed to undermine the President's stand even in Parliament. In full keeping with Soviet tradition, authority was not disputed. Taken to issue was Yeltzin himself, which explains the frequent attempts by oppositionists to redeem the President from the "filth and dirt" of daily government, bad advisers and so on. In the upshot Yeltzin rose increasingly in stature above the deputies. It is intimated that they are many, but he is one, that they only speak, but he works. The pressure the deputies sought to exerted on Yeltzin was failed by that invisible border-line implying the President's option to threaten resignation and go to the nation over the heads of the interfering deputies, who do not control such leverage for influencing the President. Oppositionist leaders do not very much control their factions, inasmuch as the deputies fear that the President may undertake a demarche that would strip them of credentials and sinecures. They also hope the President will give them something, either an administrative seat for themselves, or allocations for their constituents.

Again everything focuses on Yeltzin. The impotent Congress only showed that the new Russia is no more democratic than the old Soviet Union.

Vladimir Kulistikov

COMMUNIST PHANTOM HAUNTS GAIDAR

The epithets applied to the recent Congress of Russian People's Deputies! A farce! An extravaganza! A mental striptease exercise! True, neither did the previous congresses produce any impression of a high cultural, intellectual and political standard. However, this last one has taken the cake, leaving a depressing and primarily hopeless impression, hopeless in the sense that most of the deputies will never acquire horse sense, let alone elementary decency.

How come in Russia apples fall up?

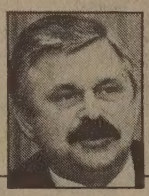
Yegor the martyr?

The Congress produced a splurge of irreverent political stunts with complaints against the news media uttered from the rostrum of what, as I would have you know, is the country's top law-making body, with endless personal attacks more reminiscent of political peaching, with the use of definitely non-parliamentarian language, with a free and easy behaviour and threats of eviction from the auditorium, and, as the high point, with the chair's hysterical outcry at a lady deputy, noted for her characteristic calmly ironic manner, whose only fault was that the chair could not brook what she said.

Such in brief outline is the so-called ethic at the Congress. Which was only half the matter. In the final analysis what the deputies should demonstrate is not so much courtesy, although one would very much like to see that, but the ability to analyze processes and come up with political solutions. In this sense the assortment was meagre indeed.

As a rule, the ideas voiced were, on the one hand, ridiculous and, on the other, senselessly destructive. The opposition's entire platform was composed of the three points of stripping the President of the powers that the previous Congress had invested in him, of sacking the state councillors, and of forcing the government to resign. Nothing was said as what to do next, as of whom the new government should be formed and when, and as to what could be opposed to the Gaidar team's reform policy of price liberalization, privatization, restructuring and Western aid. The deputies did not care a tittle for that. They had assembled to disgorge their anger. As for suggestions thrown out from time to time from the rostrum, they baffled even onlookers having a very hazy notion of economics

PRESIDENTIAL STRUCTURES



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Advisers

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Advisory Board

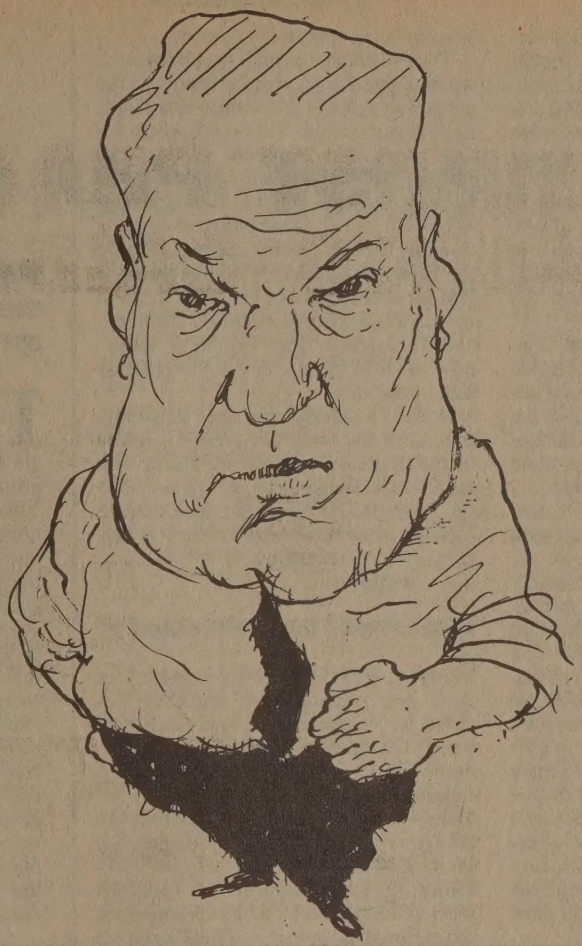
State Secretary and State Councillors

Government

Thus, it was suggested that taxes be cut, social protection be enhanced, regulated prices be reintroduced, the industrial recession be checked, exports be liberalized and protection be afforded for the home market. In short, self-reliance with the West's $24 billion chucked back into its face.

During the breaks Yegor the martyr patiently taught the deputies the fundamentals of economics. He explained that this was a science and that to play around with it was risky. Evidently this ought to have been started long ago and not by Gaidar alone as despite the First Vice-Premier's heroic efforts, the Congress nevertheless took the cake for its senselessness. Thus it called for a cost-of-living adjustment on all cash deposits, a point capriciously voted for twice, despite efforts to the contrary made by Khasbulatov, who well realized that this was sheer nonsense, although as far as one can judge he was not averse to "downing" the government either. By such whims the Congress simply discredited itself. So who, then, can take it seriously?

At this point deputy Varov suggested that the Congress take a vote to cancel the three laws of mechanics, plus Newton's law of universal gravitation. In Russia apples are almost beginning to fall up.



Drawing by Igor Shein

Love triangle

There were two aspects to this development. The first was the openly seen depressing spectacle, the second, the political games played behind the scenes, the rivalry of ambitions, within the classical "president-parliament-government" triangle. The deputies merely served as supernumeraries for the required background.

The parliamentary leadership "adores" the President – with "Boris Nikolaevich and I" comprising Ruslan Khasbulatov's pet stock phrase that the news media have long condescendingly ridiculed. But the President – horrible dictum! – apparently prefers his government. In the struggle for leverage on the President, but actually for personal self-assertion in the top power echelon, irrespective of the President, it appeared that in some cases the interests of the parliamentary leadership and of the entire Congress dovetailed. Thus primarily attacked were Yeltsin's deputies in the government, moreover – which was characteristic – firstly against the State Secretary and the state councillors, and only then against the entire reform cabinet.

Many believe that within the "love triangle" the speaker accomplished his basic aim, removing Gennady Burbulis, the President's chief ideologue, from government leadership and forcing Sergei Shakhrai to quit his office as Presidential aide. This victory, though, is purely nominal. Burbulis is still State Secretary, a post which neither the Congress, nor the parliament can assail, as it is the President's prerogative to decide what kind of people he needs and in what capacity. On the other hand, Shakhrai has resumed his parliamentary seat and it is quite possible that his presence in parliament will be quite a thorn in Ruslan Khasbulatov's side, as Shakhrai is respected by many of parliamentarians and may rally a following of stable supporters, which already menaces the speaker's "one-man command."

Khasbulatov reached heights in his manipulation of the Congress. True, he did not show a subtle finesse in this respect. His methods were to bawl out, employ flattery when needed, mock, now and again lightly, coax, and now and again exert outright pressure. True, the deputies liked that on the whole. Khasbulatov treated the Congress as a wayward child and in response the Congress conducted itself accordingly. Hence the irrational obstinacy, like "let them adjust deposits to the cost of living!" repeated twice, and "sack the state councillors and the President's envoys" repeated almost five times. Ruslan Khazbulatov exerted all his charm to get the deputies rescind the point alluding to the state councillors as that threatened to greatly complicate relations with President Yeltsin. "Please, for my sake, vote on it again!" he exclaimed, even threatening to involve the Constitutional Court. One wonders whether the speaker senses that the Congress, so insistently taught not to think for itself, may one fine day elude his apron strings and act in a manner that would be most unprofitable for him.

What my left foot wants...

One has the impression that since the previous, Fifth Congress, the deputies have fast gone downhill.

Whereas before there had been the two major rivalling blocks of democratic Russia and The Communists of Russia, by now both had split with well nigh some half hundred factions registered, factions whose ideology is increasingly obscure. The Democratic Russia that shocked everyone by its demagoguery and inner backbiting, has waned. Further, in the interim between the Fifth and Sixth congresses more and more democrats joined the executive.

To all practical intents none of the acknowledged leaders of the democrats, neither Yakunin, nor Ponomaryov, nor Kovalyov, nor Starovoitova spoke, while Sergei

Baburin produced no striking political ideas. On the other hand, the two blocks so hastily knocked together at the Congress, to wit the Russian Unity and Coalition for Reform blocks competed with one another in a most lackadaisical manner.

Generally the Congress was more reminiscent of a gathering of individuals, each clever and imaginative, but able in toto merely to do a little bit of editing, which, in the main, concerned the economic reform resolution.

The infantile character of the Congress was evinced even by these so-called editors persistently deleting all amendments with the slightest criticism of their Supreme Soviet. Generally speaking, they devoutly believed that they could "do everything their left foot wanted!" meaning higher pay for all civil servants, deposits cost-of-living adjustments and complete control over the President.

The only two deputies, whose ideological effort cut its mark were Constitutional Democrat Astafiev and Christian Democrat Aksyuchits, two erstwhile Democratic Russians who now champion a united Russia. They furiously assailed CIS, Foreign Minister Kozyrev's policies and the Russian leadership's attitude to the Dniester area, the Crimea and the Kuriles. Whether one likes that or not, still that is a definite stand, not mere tongue-wagging. Though at a cursory glance it might seem to be far removed from political realism both the Congress and the government will have to count with this viewpoint.

Otherwise demands to return the Lenin statue to its pedestal, delete "class hatred" from amendments to the Constitution, but retain mention of the USSR only showed that the deputies are morally superannuated. That let alone such charmingly archaic titles of deputies as for instance, "secretary of a territorial CPSU Committee."

Whither the Congress?

The government may also be reproached for having, as one would think, not too seriously girded itself for the Congress. To all practical intents it lost the unique chance it had of getting its ministers to quell anti-governmental sentiments. Indeed, not a single minister managed to infect some of the deputies and onlookers with the conviction that the reform policy was proceeding along the right track. What they did was to apologize, digress into trifles, even blurt out that it didn't matter whether the mafia was to snap up enterprises as the money would nevertheless go to meet the social requirements of the populace. That was politically naive as it failed to take into account the tenacity with which the specific Soviet mentality persists.

The President was plainly unprepared, when obliged to present the report on the economic reform. His effort was hence none too effective. Yet on the whole his fine sense of apparat games demonstrated that he was ready to compromise to some extent. Nevertheless, one could feel his firm resolve to unquestionably wreak fearful revenge should the Congress fail to meet him in the way. Not for nothing did he threaten to go to the nation to choose between President and Congress. "The Congress knows how far it may go," Pavel Voshchanov said on the eve.

If the President's rating is declining, then after the Sixth Congress the rating of the deputies will definitely drop still more, as it disappointed everyone without exception, from ardent democrats to diehard conservatives and orthodox patriots. What, to entrust government to this Congress?!

What Orwell never dreamed of

Many deputies not only boasted of their own uncouthness, but even decided to tell the nation and the entire world that having trussed the government hand and foot by means of unattainable decisions, they all sought reform. To which end they thought to compose a declaration and dispatch a team of parliamentarians abroad. Certainly, a fine example of Orwell's Newspeak, whereby a ban on reform is to mean its opposite! The Congress struck at the government's economic computations by a pompous declaration.

In effect, all that the President and the government could do was to graciously thank the Congress for its decisions and meanwhile proceed with its business, ignoring parliamentary emotion. Curiously enough that is actually what the speaker had in mind. His implication was that the deputies be allowed to express their mind and take decisions that would be forgotten a mere three months later. Certainly a dubious policy for a law-governed state.

The on-head collision between President and Congress creates an impasse. The President has no right to dissolve parliament and no referendum may be held on the question of confidence in the President and the Congress.

The Congress showed that it had been motivated by the instinct of self-preservation and the desire to proceed with a life of ease, which though irresponsible, is nevertheless invested with the functions of power.

Marina Shakina

STRUGGLE

Democrats must make a coalition, if they want to survive and continue reform

It would be erroneous to reduce activity of the Congress to attem to redivide state power or to a str gle by individual politicians or polit groupings for exerting influence Yeltsin. The real issue is far more nificant – it concerns the choice of path, of the form of state government the ruling system. In the course of struggle some of the present politica gures will find themselves on the p form, while new people will be riding the departing train. How many s changes are going to happen even till end of the year!

We are only approaching a giga reorganization of our state which m coincide with the appearence of a r generation of politicians and of a new lance of powers. And untill it has ta place, we have to make compromi not infrequently forced ones. Yet must be aware of the fact that the crit

Deputies Baburin and Sevastianov:

UNDER A ROOF WITHOUT WALLS

stage of the struggle – not for power but for its quality and essence – is still a way off.

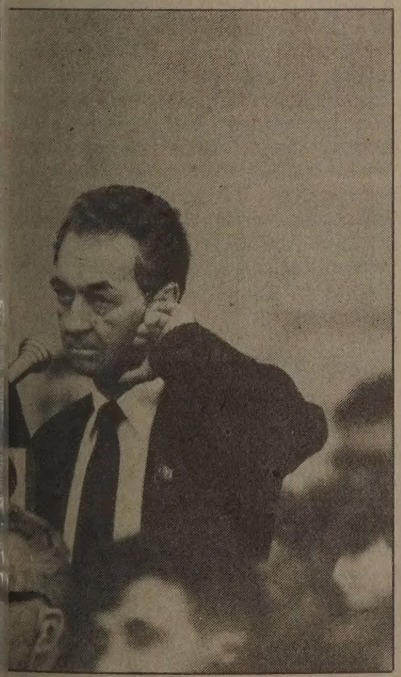
The blunder which has cost dearly

The process of acquiring a new base of support by Russian statesmen is nearing completion. If a politician has no obvious political support, this simply means that he has found support in the administrative apparatus. Since our parties are still in an embryonal state, the power structures and their leaders are easily influenced by lobbies of various kinds – managerial, agrarian, regional and military, which is extremely dangerous, because the decisive influence on the formulation of the official political course may be exercised by forces which have no connections with society but which instead have experience in fighting under a carpet.

The time has also come to abandon all attempts to squeeze the diversity of Russian political life into the framework of the strict division into democrats and conservatives. The formation of new political forces is not yet completed. Different content may be found under the same signboard, and since we have many lines of demarcation, (with regard to the government and its reforms, Russia's national and state interests, the problem of the organization of government), it comes out that certain forces can be in opposition to each other over one issue, while uniting over another. As a result, we have an extremely curious configuration – the union of anticommunists and abject Bolsheviks or the fall of some democrats to taking up jingoistic and authoritarian stands or the government criticized by democrats and conservatives at the same time.

It may seem at first that democrats, neo-communists and national patriots are the most active forces in our social life. Yet it turns out on a closer consideration that this principle of division doesn't explain much. Evidently, habitual clichés and labels should be rejected. What was all right yesterday is misleading today when we need an absolutely new system of coordinates. It was premature to interpret the anticommunist opposition as a democratic force. This mistake cost us dearly – it discredited the very idea of democracy. A considerable part of those whom we regarded as democrats not only stumbled over the national state issue, they failed to pass the trial by power.

At the moment, the crisis in the ranks of democrats is difficult to overcome as long as the dilemma they are faced with remains unsolved – to become a pillar of power or the opposition to it. The dramatic side of their situation is aggravated by the fact that the reform carried out by the government doesn't answer the current interests of the broad masses, and democrats could find themselves in opposition to the majority of society if they supported this reform. Yet, opposing the government, they are running the risk of playing into the hand of neo-communists. While democratic groupings try to find their new face, the political game goes on and – alas – without their active participation in it.



the opposition launches an offensive

Deputies Sheinis and Travkin: democrats keep silent

The "*nomenclatura* revanche?"

Let us not overestimate the chances of neo-communists. The fuss around Soyuz, the Labour Moscow and other groupings of the sort is simply surprising. A continuation of the communist syndrom is possible, but only with a new face, all forces which really aspire to power will try to get rid of their association with the communist past.

But what about the "revanche of the *nomenclatura"* many warn us about? Actually, we no longer have one *nomenclatura,* as there is no longer one military-industrial complex, or one managerial or agrarian lobby. They all have split into pragmatists and the "old guard." The former shed the hateful communist skin as soon as the opportunity presented itself and now they uphold the renovation of the former system and market economy, only under their control, while the "old guard" remains true to the ideals of the distributive state power.

The national patriotic tide also requires a more balanced analysis. Its upsurge was primarily the result of the absence of a clear understanding by the government of Russia's national state interests, and partly the result of some Russian politicians flirting with national patriots. Still, national patriots becoming a powerful opposition is hardly likely for the time being, because there is much more to separate them rather than unite – the advocates of strong unitarian states fight against isolationists; communists, against anticommunists; advocates of the free market, against populists... Those in power have to make too many mistakes in order to consolidate all these groupings.

All forces active in our society, albeit under different banners, can be classed as those who uphold a radical transformation of our society; those who try to confine themselves to its modernization and those who may be termed revanchists.

The government has so far been considered the mouthpiece of radical reformers. Yet it must be admitted that it holds on mainly thanks to Yeltsin's popularity; it has been unable not only to secure a sufficient support in society, but even to create administrative levers on local level. Anyway, none of East European governments starting the market break-through had mass support. However, they could rely on a consensus of the main political forces over the issue of their countries' national interests and on the relatively stable structure of power, which is, incidentally, lacking in Russia. The position of reformers is weakened by their splitting into democrats and liberals of an authoritarian type. In a word, for the time being they won't be able to retain power without entering into compromises with other groups.

A new round is unavoidable

Modernizers have firm positions in the manager's corps, among technocrats and the military, they can also win part of workers to their side. They tend to be supported by many entrepreneurs disappointed with the government's policy. So far modernizers have no definite political superstructure, but they have an awareness of their common corporate interests, as well as personal ties.

The system of Soviets provides the main support for revanchists, populistically-minded circles and the old trade union structures may also support them, as well as part of Russian national patriots. But not all of them! Revanchists have lost their positions in the centre, and such events as the Congress of People's Deputies remain their only means to influence the balance of forces in the government. It looks as though they have no future any longer. Well, don't the changes in the government and some other actions mean a concession namely to the conservatives? I think it is necessary to determine where it is a matter of tactical manoeuvres and where more serious factors are involved. Our ruling body has started active searches for allies or of partners at least. These searches can't avoid prompting them towards an alliance with modernizers. This alliance is a favourable phenomenon at the moment, because it helps prevent a setback.

Let us bear in mind though that such an alliance will bring about certain corrections in implementing reform. Hence the question: What interests will gain priority in future reforms and what will be the character and the limits of concessions? In short, in any circumstances the new political pact won't be durable. Modernizers will sooner or later make claims to full power, thus making a new round of struggle unavoidable. So far the Russian state power has been something amorphous and totally inefficient. In fact, there is only a roof, and this is made of unfitting pieces and already covered with bureaucratic rust. And under it is complete chaos. Locally, there is a struggle under way, not even between people or forces, but between political blocs belonging to different epochs.

The new constitution can lay down the basic principles of building the political system. But it will be necessary still to comprehend the concrete mechanism of its creation and functioning. Incidentally, a number of East European countries are approaching the adoption of new constitutions only now that the foundation of a civil society has been laid there and the structures of new power have been tested. In our country the constitutional intrigue has become a political game and an instrument in political struggle, and for certain people, a means to remind the world about themselves.

Now, when society is fomenting, its interests not yet having matured, it is simply impossible to adopt a constitution for a more or less prolonged period. Any such attempt can only perpetuate a temporary balance of forces and transient ambitions. We will more than once revise the basic law of the state.

Dacha experiments

The Soviet system becomes a thing of the past. But what will the new structure of power look like and how will we pass over to it? If we embark on the path of forced dissolution of Soviets and of handing over full power to the President's appointees, where is a guarantee that this model of driving belts won't lead to an authoritarian regime? Where is a guarantee that the temporal won't become the permanent? Oh, Yeltsin can't do that! However, we do not create system of government to fit a certain individual, but in order to make any politician, even an authoritarian-minded one, act within certain limits. In the meantime, the idea of a presidential republic which we are offered stirs up serious apprehensions.

The elaboration of the concept of a new constitution must be the concern of the entire society, of all political forces, and not a product of a dacha experiment, as was the case of economic reform. Besides, we need a soft-type structure open to modifications. We will have to put up with the idea that it may turn out to be impossible to create a unified model of power on the territory of the Russian Federation and that it will have certain peculiarities in some republics. It is also expedient to elect bodies of power for a 2 or 3-year term, otherwise they will perpetuate an obsolete balance of forces. A few words about elections. They will not necessarily create a more efficient power structure. The reproduction of the political elite lags behind the torrential course of events in our country.

The essence of the next stage of our political life will be the creation of the organizational and political basis of Russian statehood, and the success of this objective depends primarily on whether the present participants in our public life are able to realize their transitory importance and not to try to build a state and power, proceeding from their own ideas of what society needs.

Lilia Shevtsova

Photo by Yuri Gripas

GAIDAR: "THIS IS A DIFFICULT BUT ONLY POSSIBLE ROAD"

Devastating but purposeless criticism of the Gaidar-led economic reform voiced at the current, 6th Congress of People's Deputies has demonstrated, according to many analysts, economic ignorance and incompetence on the part of a majority of the MPs. The impression is that they didn't even try to understand the meaning of the currently introduced changes and became prisoners of populist tendencies. As a matter of fact, Russia has no other way to break the current crisis than the one offered by Gaidar.His reform programme consists of three distinct stages, each with its own priorities, terms and means.

Stage one: stabilization. Its chief aim is to curb inflation by means of balancing out the demand and supply. The government has inherited a huge budget deficit (worth 20 percent of the Gross Domestic Product), and a sea of worthless rubles – paralysing the national economy. The result was a pernicious combination of empty shops and rising inflation.

The inflation roots in the budget deficit and bank credit emission. That called for toughening the fiscal policy and introducing steps aimed at cutting the government expenses and boosting the government revenues.To achieve this, government subsidies keeping retail consumer prices low have been slashed and in some cases removed altogether (which is dubbed "liberalization" of prices, which inevitably leads to a certain price jump in the initial stage); state investments in industries and national defence have also been heavily reduced; and a new and higher value-added tax (VAT) has been introduced.

State control has been lifted from practically all prices operating in the country. The government plans to remove its control even from the fuel prices. Only housing, public transport and certain other public services will still be available on state-subsidized prices. In order to saturate the domestic market, import duties were lifted and export duties were introduced. This was supposed to stimulate influx of foreign-made goods and to inhibit the outflow of domestic products.

As a result, the ruble remains legal tender and even strengthens, which shows the right direction for producers and consumers and forms prerequisites for a healthy economy. There are fewer "bottleneck" commodities and services now, and the ruble becomes an ever more desirable commodity itself. Shops start vying for the ruble of the consumer. Production and consumption structures are becoming ever more rational. The experience of the successful anti-inflation policy of other countries shows that financial stabilization requires 3 to 12 months to be achieved.

According to Yegor Gaidar, "a tough fiscal policy has already been yielding results. It made it possible to halt the mint now for the first time since 1986. The demand for cash reached its peak last December. The Russian Central Bank minimized its currency intervention. All that led to an increasing in the strength of the ruble. January saw the start of remonetarization. Following a long period when trade was dominated by barter – cars for coal, coal for fridges – the ruble is starting to regain its function as money in the national economy."

Stage two: institutional reforms. Their chief aim is to foster a class of property owners and to build the basis for the market infrastructure. It is designed to create guarantees of irreversibility for the pro-market reform. Partial privatization will yield little result. An agricultural reform alone can't be effective if transportation, storage, processing, provision of seeds and equipment, to list just a few key areas, remain monopolized by the state.

The reforms include: an agrarian reform (introducing farms as the main producers in agriculture), privatization of the bulk of the state property (including processing and extracting industries, transport, building and banks); changes in systems of public health, education and social protection (development of health insurance and pension funds); changes in foreign economic policy (liberalization of export regulations and introduction of import duties); and orientation of the hard currency policy on bolstering the internal convertibility of the ruble and achievement of the ruble's external convertibility.

That stage will take 3 to 5 years.

Stage three: restructuring and economic growth. The Russian economy is characterized by huge – out of proportion – heavy industry and other resource-intensive production branches, as well as degenerated condition in the consumer sector. The chief objective of this stage is, therefore, to achieve greater efficiency in the national economy on the basis of reconstructing its material-technological basis, structural adaptation of the Russian economy to the world market and its integration into that market through filling spare and promising market niches. Structural changes will take up 15 to 20 years.

By now, according to the Cabinet of the Russian Federation, the critical stage – mastering control over the situation in the country – has been mainly completed. It was a bumpy road. The Cabinet is prepared for a constructive dialogue with all political forces who support the economic reform, including its ideology and aims.

The decisions of the 6th Congress of People's Deputies, however, are an obstacle to the reform, reads a statement of the government. The demands institutionalized by the Congress push the national economy towards hyperinflation and spell suspension of privatization and the agrarian reform. A precipitous fall in people's living standards, famine, social upheavals and ensuing chaos will inevitably come about as an aftermath of the implementation of those decisions.

Gennady Arievich

Ukraine has already created its own army. Moscow lags behind

THE RUBICON CROSSED. WHAT NEXT?

The Sixth Congress of People's Deputies became a turning point in the military policy of the Russian government. It was proclaimed that Russia is going to have its own armed forces

The decree issued by President Yeltsin last March set up the Defence Ministry of Russia and announced that Russian armed forces would be formed in the near future. Apparently it was not easy for him to make such a decision. At the end of February Marshal Shaposhnikov, referring to the President, asserted that neither the Kremlin nor the High Command was in a hurry to build the Russian Army.

The first three months of the existence of the Commonwealth of Independent States showed, however, that centrifugal tendencies continued to increase. In Ukraine and, practically, in all former Union republics the new authorities virtually started to build their own armed forces. At the same time Russia, together with the High Command of the armed forces, tried in vain to preserve the unity of the army. However, they did not always manage to do this even on paper.

In these circumstances the military command was compelled to revise its view concerning the united armed forces. It was admitted that this concept had become outdated.

All this does not cancel out the possibility of concluding a military and political union between the interested members of the Commonwealth. In the past the united armed forces of the former USSR were regarded as the basis for an interstate political structure. Today, if a Union is to be set up at all, it will be based on the community of security interests of independent states.

Army and state

After the breakup of the USSR the armed forces were the last but most powerful unitary structure. Now that Russia is forming its own military structures the army is joining in the new system of bodies of state authority. For the first time in our recent history the parliament will exercise control over the defence ministry, and the functions performed by the ministry proper and the General Staff are to be delimited. A civilian was appointed to the post of first deputy minister of defence.

As before, such colossal work is conducted primarily by government bodies, with the High Command (former Defence Ministry) and the General Staff again carrying the main burden. The parliament is behaving passively.

If good and lasting results are to be achieved such a large amount of work should be divided between branches of state

authority. True, no mention was made of yet another body – the State and Law Board of the President. This reputable organization consists of top professionals. It seems that the State and Law Board manages to solve many problems quietly. The trouble is that it is not always clear what the Board is doing.

Defence policy

An important task of the Defence Ministry lies in the working out and implementation – after the approval by the President and the parliament – of the country's defence policy. Till now the Russian Federation did not have an integral defence policy. It is natural to ask on what principles Russia's defence policy will be based.

For its normal functioning the army must have clear aims. However, the demands of the current political situation remain decisive as before and overshadow the prospects.

In the opinion of Col.Gen. Samsonov, Chief of the General Staff of the CIS United Armed Forces, the first strategic echelon has been completely upset. Indeed, over the last 150 to 200 years a greater part of the forces and materiel of the Russian Empire and, later, the Soviet Union was brought nearer to the western frontiers. The central part of the country represented a sort of strategic vacuum. What does the building of entirely new armed forces mean in the regions where the Russian frontiers passed 50 years ago (in the north-west), 300 years ago (in the west), 400 years ago (in the south-west) and 150 to 200 years ago (in the south and the Caucasus).

It should be remembered that Ivangorod, Smolensk, Kursk, Rostov, Stavropol, Astrakhan and Orenburg have become frontier cities. Moreover, the new borders have not been demarcated or even delimited. It will be a costly measure, but it has to be carried out. Will it be necessary to fortify the new borders? It depends on what relations will shape between Russia and the neighbouring states, on what model of Russian-Ukrainian relations will prevail in the end: American-Canadian or, say, German-German of the cold war period. The character of the south-western frontier and the trend of the military doctrine will also depend on this.

Military reform

In spite of the decisions taken, Russia does not yet have its concept of a military reform. The changes being effected now have a fragmentary character. What Russia has now must be reappraised with regard for new realities and prospects. It sems that the problem of reforming the army has been pushed into the background.

Stabilization measures are necessary. It should be admitted, however, that as a result of a long delay in carrying out the reform, at least three reforms will have to be effected simultaneously in the course of the forthcoming radical changes in the military sphere: in connection with the ending of the cold war, in view of the breakup of the USSR, and in connection with the transition from the totalitarian to the civil model of society.

Financing

The Russian authorities have decided to allocate 4.5 percent of the gross national product for military purposes. The parliament has adopted a strange position. It does not consider the budget thoroughly, but merely takes the government's requests into account. The impression is that the parliament does not want to assume responsibility for the expenditures (and priorities) and hence, for one or another policy. To act so in the future means to put the military reform in danger. It has to be recalled that the staffing of the Navy on a contractual basis by way of an experiment was foiled because the funds needed for this programme had not been allocated. During the transition to market relations the problem of financing becomes of paramount importance.

Forecast

Contrary to expectations (and fears), the Russian Defence Ministry will not be originally purely civilian or civilian-military. We can talk, in principle, about the modernization of the old structure or the building of an entirely new one. The first is more probable, though the second is obviously more preferable. In any case, the struggle between traditionalists and reformers in the new ministry and around it promises to be hard and long. It can be supposed that attempts will be made to limit the terms of reference of the new ministry or its civilian component primarily to financial, logistics, and daily life matters. It is also clear that one or several civilians in the new ministry, even in high posts, wouldn't change the situation radically.

In the opinion of specialists, it will take about two years to build a Russian army. True, it can be said that Russia already has its army, and a fairly large one. First of all, it has placed under its jurisdiction the Western (in Germany), the Northern (in Poland), the North-Western (in the Baltic states) military groupings, the troops stationed in Mongolia, the Trancaucasian Military District, the Caspian Flotilla, the 14th Army, located in Moldova, and the Black Sea Fleet.

Secondly, the troops stationed within the Russian Federastion can be included in its armed forces at any moment and practically without any problem. The same applies to the remaining three fleets. True, all these forces, both proclaimed and not proclaimed Russian, are today subordinated to the High Command of the United Armed Forces of the Commonwealth of Independent States.

This raises the question of the High Command itself. While it would be good to build Russia's Defence Ministry anew, the High Command – freed from the name "ministry" foreign to it and transformed, jointly with the General Staff, into a command-staff body – could form the basis for a new main body, having the troops of the Russian Federation under its control.

It would be preferable to form military bodies of the Commonwealth separately, without imposing that additional function on the future General Staff of Russia. An "eastern NATO" cannot be founded without Ukraine and Belarus. The idea of establishing a "second, revised and enlarged" variant of the Warsaw Treaty can perhaps be discussed. There is a body in Moscow, inactive for two years now, known as the Staff of the United Armed Forces.

The Staff exists, but there are no united armed forces. The present forces are united in name only. In fact, they remain unitary. However, as time goes by, the unity of the Army becomes increasingly eroded. In these circumstances Russia, having realized that the division is inevitable, could display an initiative in helping to raise national armies in republics which so desire and in uniting these armies given a mutual desire, but on a new basis.

Having determined in the course of negotiations what units, installations and institutions will form the basis for the armed forces of each of the interested states in the Community, Russia could conclude with them bilateral treaties on defence cooperation, military and technical aid, and the training of military personnel. The forces and materiel which the republics don't show interest in or, on the contrary, in which Russia shows a keen interest, that is, elements of the anti-aircraft system, military space installations – would become Russian under a mutual agreement, and their status would be regulated by appropriate agreements. Lastly, after such an arrangement Russia and its neighbours would agree on what part of their own armed forces would form the United Armed Forces.

Dmitry Trenin,
Vadim Makarenko

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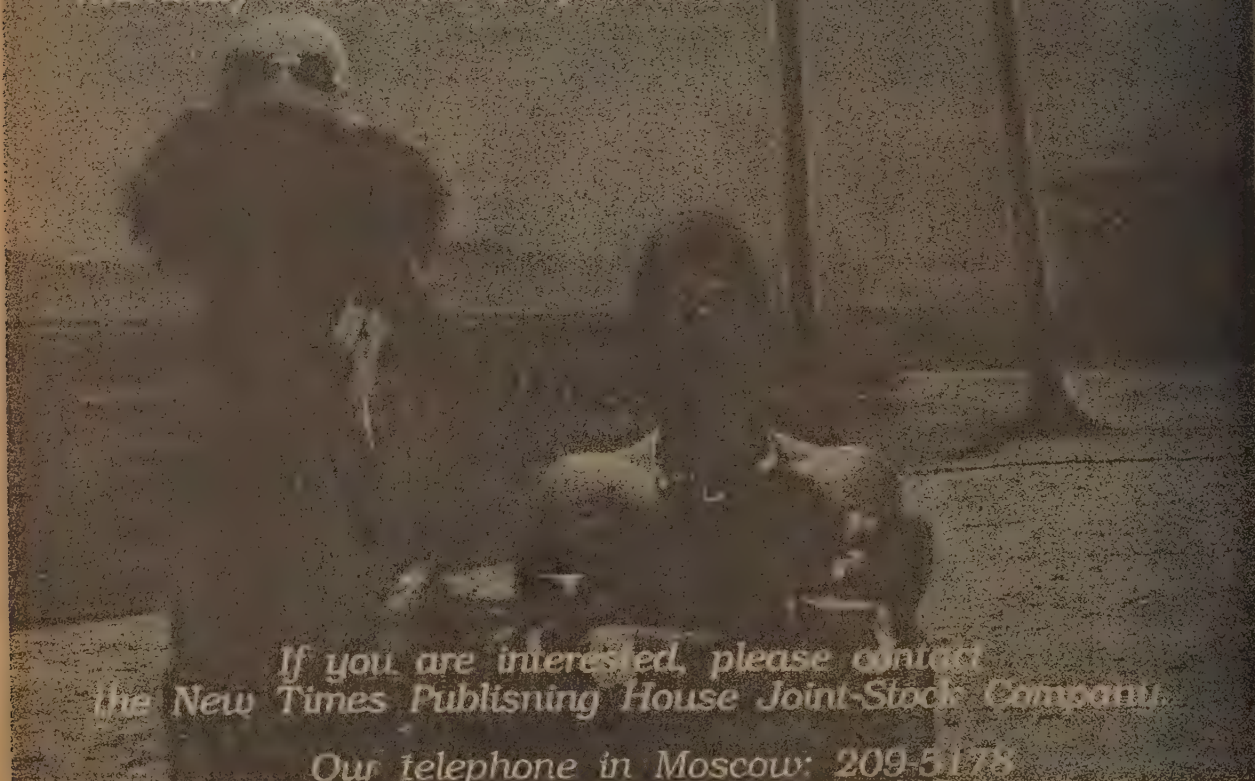
In view of the drastic changes in Russia, we have a stake in expanding mutually beneficial cooperation.



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President Yeltsin has issued a decree on measures for economic stabilization of the agro-industrial complex. It offers all farmers grants for livestock products sold by them to the state and envisages funds and additional credits for rural needs.

* * *

President Yeltsin has issued a decree on fighting corruption in the civil service of the Russian Federation. It provides for measures to check and avert corruption in government bodies, including a ban on business activity by civil servants.

* * *

"Russian foreign trade is in crisis," Pyotr Aven, Minister for Foreign Economic Ties of Russia, said recently. "Last year, export fell by 30 and import by 46 percent. However, the positive trend in the revival of foreign trade is already noticeable."

* * *

During their telephone conversation, the Presidents of Russia and Ukraine agreed to suspend their decrees on the Black Sea Fleet. A commission consisting of deputies of the two states has been formed to settle the question of ownership of the Fleet.

* * *

"We demand, and will continue to demand, that the foreign army should leave the territory of Lithuania already this year," said V. Landsbergis, Chairman of the Lithuanian Parliament, speaking over the Lithuanian television. In his opinion, the solution of this problem depends to a large extent on "the principled international support of this demand."

* * *

Kazakhstan's President Nazarbayev will pay an official visit to the United States in the second half of May at the invitation of President Bush.

* * *

According to the statistics department of Estonia, in the period from March 1991 to March 1992, the cost of living in the republic has increased 11.69 times. Charges for public utilities rose 32.33 times, and the prices of foodstuffs and manufactured goods 12.01 and 10.41 times, respectively.

* * *

Having studied the decrees issued by President Kravchuk during the first 100 days of his work, the Ukrainian Parliament decided that 18 of them are anti-constitutional. In

the opinion of the commmission for legislation and legality, the President departed from constitutional standards in the appointment of officials, in the formation of the banking system, and in other cases. Kravchuk's decree on the State Duma (assembly) came in for particularly sharp criticism. The legislators regarded it as an attempt to set up "an additional cabinet of ministers," and as an act threatening anarchy in the system of executive power. The Parliament suggested that the President bring his anti-constitutional decrees into conformity with the fundamental law of Ukraine.

* * *

In connection with Uzbekistan's admission to the United Nations, I. Karimov, President of the republic, signed a decree on the amnesty of prisoners now serving terms for their crimes.

* * *

The commodity reserves at Russia's warehouses are enough for 47 days. Such a situation was recorded last time in 1970. The huge commodity reserves have appeared as a result of a slump in consumption below the permissible level. Output is stagnant, too. Mutual non-payments have exceeded 800 billion rubles. Factories are unable to sell what they have manufaotured.

* * *

Detskaya delovaya gazeta (Children's business newspaper) has been launched in Moscow. It is intended for teenagers of a new breed, who have common sense, initiative and entrepreneurial abilities, and dream of becoming businessmen. The newspaper is put out by the Advertising-Publishing House Image.

* * *

A protocol on the building of the IL-96M airliner fitted with engines of the American company Pratt-Whitney and electronic equipment of the Rockwell and Collins companies has been signed in Moscow. The new liner will be made available for service in April 1993. With 386 passengers on board, it will fly 12,000 km without landing.

"So far only Russia is paying out the foreign debt of the former USSR," said V. Telegin, chairman of the Vneshtorgbank (Foreign Trade Bank) of Russia. "Though the other republics admitted part of their debt, they have not paid a single kopek yet."

* * *

Signs of stabilization are appearing in South Ossetia. Electricity is already supplied to the residential districts of besieged Tskhinval, and the supply of gas and water is beginning to return to normal. A large cargo of wheat, foodstuffs and drugs has been delivered by railroad.

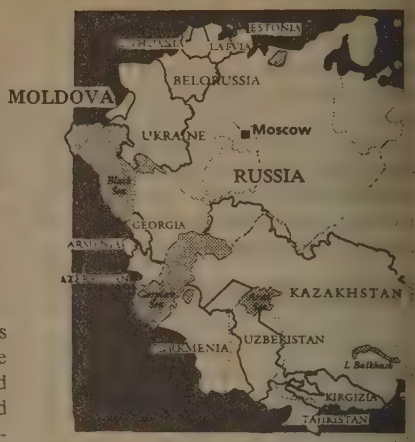
* * *

The Ukrainian news agency has distributed an official statement saying that by a decision of the Ukrainian Parliament, all troops stationed in the territory of the republic shall be subordinate to Ukraine's legislature.

* * *

The foreign ministers of Moldova, Russia, Romania and Ukraine have met to discuss a peaceful settlement of the crisis provoked by a dispute between Kishinev and the Dniester Republic.

THE DNIESTER AREA: KHAKI-COLOURED SPRING



Moldova, Ukraine, Romania and Russia seek an agreement on the Dniester region. However, the Dniester Moldavian Republic is not party to the talks, which thus induce many to doubt a successful outcome. What is really taking place in this unrecognized republic?

In the Dniester area this spring has been a time of funerals, which take place daily. Buried are fathers and callow youths, guardsmen, militiamen, and men and women, who though not at all involved in the hostilities, are cut down by a chance bullet or purposeful terror, such as the night-time massacre of an ambulance crew and its passengers on the Grigoriopol highway.

We've grown accustomed to seeing armed men in the streets, and deserted fields and deserted villages in the theatre of hostilities. It is time to sow, but that is dangerous, as roads come under fire, while armoured personnel carriers have ousted tractors.

This spring is tinted khaki.

"A chivalrous republic"

The epithet of "Cossack" is often heard nowadays on either bank of the Dniester River naturally differently intoned. In Kishinev people carry placards telling the Cossacks to go back home, or noting that the Cossacks have come to collect the Russians. However, in Bendery the announcement on a notice board in the street ran:

"Volunteers for Cossack units of the Bendery division of the Black Sea Cossack troop are invited to register at the city executive committee from 10 a.m. till 5 p.m. Patriots, join the Cossack Hundred!"

People in the Dniester area adore the Cossacks, whether from the Black Sea troop or from the Don area and the Kuban. They see the latter as a link with Russia. Whole legends have been woven around Cossack gallantry.

Truth to tell, this is not the first time Cossacks appeared on the banks of the Dniester or in Moldavia's historical chronicles. Which only once again goes to demonstrate the platitude that what is new is often what has been well forgotten.

Thus if it is now so popular to refer to history, if in search of national identity the people of Moldova turn their eyes to the reigns of Stephen the Great and John the Terrible, they might as well recall what took place in those distant times on the other bank of the Dniester.

Thus according to the 19th century Moldavian writer and historian Bogdan Hasdau "Across the Dniester, on the bor-

The Dniester Moldavian Republic is prepared to fight to the last man

der of Poland with the Tatar Khanate .... there was set up a tiny republic of fugitives, who aimed to destroy the enemies of Christianity... They soon gained fame by their intrepid boldness and came to be called Cossacks..."

It was to the fighting men of this "chivalrous republic," as Hasdau termed it, that the Voivod John the Terrible appealed in the mid-16th century for support against the mighty Turkish empire.

Foreign intervention?

Some left-bank place-names still preserve the memory of Cossack history. The Cossacks themselves, as concerns their basic tricomponental ethnic origin, deriving from Ukrainians, Moldavians and Russians, are an organic, natural element of that highly complex symbiosis of ethnic and religious trends of today's Dniester population. Rather one should say they are the roots that now, in this time of political tempest, have surfaced.

Though in Kishinev today people are inclined to regard the Cossacks as alien, as well nigh the sole force to blame for the tragic events of the current spring, this misconception of reality is due either to ignorance of history or to a deliberate misrepresentation of the entire conflict as primarily the result of a "foreign intervention."

Our correspondent is on the spot at the right time. Ksenia Myalo with Dniester guardsmen

Actually the Don and Kuban Cossacks currently in the Dniester area scarcely total more than 700 or 800. Hence to claim that they are disturbing the peace of the 700,000-strong population of this small rebellious republic is simply not serious.

Here the Black Sea Cossack troop enjoy a legal footing, whose status is governed by special edicts of the leadership of the Dniester Moldavian Republic (DMR). But as Russia's Cossacks historically see themselves as one whole, hardly will the new republican boundaries stand in the way of Cossack contacts and movement.

The conflict is more and more distinctly seen as political, even geopolitical, not as interethnic. It stems from the profound difference or, more appropriately nowadays, incompatibility between the concepts of Kishinev and Tiraspol as to future development in post-communist times.

Technocracy

Kishinev daily vilifies Tiraspol with such already stereotype epithets as "a military communist regime," "a bulwark of partocracy," and a "communist preserve." Unfortunately, such assessments are long part of the Russian public mentality, which prefers to ignore gathering clouds and habitually speak of *nomenklatura* and centre "intrigues." These same appraisals also affected the attitudes of international agencies' representatives visiting Moldova.

Naturally, this all encroaches upon the principle of upholding human rights, regardless of ethnic and religious affiliation, or **political convictions.** In other words, even were the Dniester people a bunch of diehard Leninists, their systematic notifica-

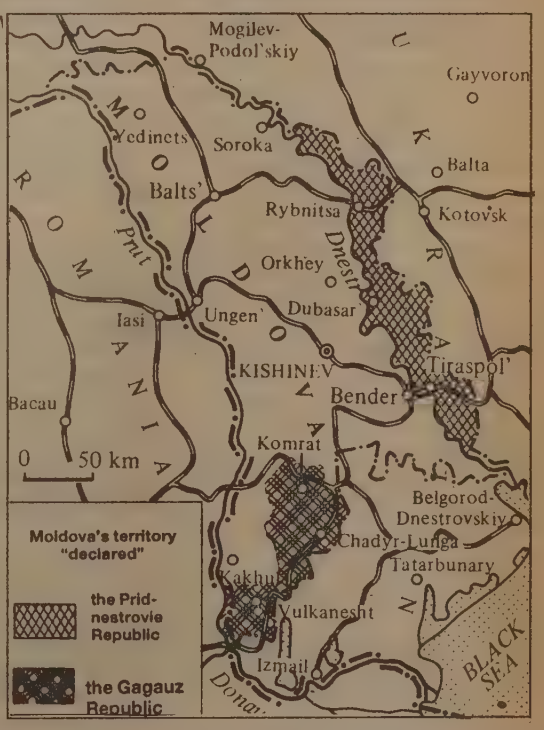
READY REFERENCE

The 14th Guards Army of the Odessa Military District now under Russia's jurisdiction

Russia's leaders think this army could act as a disengagement barrier between belligerents in the Dniester area

HQ in Tiraspol
Personnel and armour – approximately 40 percent
Stationed in:
Kishinev – a first-category division manned 75 to 100 percent
Tiraspol – a motorized rifle second-category division manned 50 to 75 percent
Beltsy – a motorized rifle second-category division
Belgorod-Dnestrovsky – *a motorized rifle third-category division manned 25 to 50 percent*
Ungeny – an artillery division, actually composed of separate units under one cover
Bolgrad – a paratroops division
Dubossary – a brigade of engineers
Bendery – a civic defence regiment
Units are also stationed in the towns of Beltsy, Floresti and elsewhere
Represented amongst the 14th Army personnel are 30 different nationalities
C.O. – Maj.Gen. Yuri Netkachev, as of December 1991
Chief of Staff – Maj.Gen. Vyacheslav Sitnikov

(Our own information service)



Moldova's police are armed with weapons from the arsenals of the former Soviet army

In their turnaround conversion Dniester armourers manufacture their own armoured cars

tion of violations of human rights in Moldova and all the more so the first bloodbaths should have attracted greater attention.

Reality is more complex than the pet pattern of "innovators vs. conservatives." In this Procrustean bed the Dniester phenomenon has become ideologically simplistic.

Firstly, nothing could be further away from the truth than the widespread contention as to the "partocratic" character of the power structures in the Dniester republic. As a matter of fact, none of its leaders has a Communist party past measuring up to that of Moldova President Snegur. Indeed, party functionaries were virtually ousted from all echelons of power at the very beginning, going back to the political strike of 1989. Which is precisely responsible for the Dniester region's dynamic, largely unique emergence of post-communist power structures that are at great variance with those in Moldova proper.

Whereas in Moldova developments abruptly turned towards enhanced administrative structures and executive authority patterned on the Romanian model, in the Dniester area, on the contrary, self-governing structures were built up by promoting the already existing Soviets and by creating new agencies of self-government.

At its inception this republic indeed had much of a chance of becoming "a republic of managers" and hence here one could speak of a technocracy not a partocracy. However, the realities that the Dniester population faced, Kishinev's tough ethnocratic pressure and the need to uphold their own rights, today universally seen as the need for armed self-defence, served to consolidate this small community, quickly bring together the fundamental interests of top and bottom, and eventually shape a specific political style.

This style's salient feature is the non-conflicting combination of the three elements – presidency, Soviets and what Western political scientists qualify as "direct democracy" (institutions that are incompatible in virtually all other former Soviet republics). Implied by "direct democracy" are the sundry civic associations, which may not only look after their own affairs, but also, in definite circumstances, take a direct part in governmental decision-taking.

Particularly conspicuous here is the Bendery Workers' Committee, today the driving force behind the city's defence. Incidentally, its significance as a powerful **pressure group,** if we are to continue with the political scientist's vocabulary, a group actively influencing the formation of local authority, was manifested already in "peace time," which again revealed a certain affinity with the part the guilds once played in Europe.

Finally, the drastically increased role that civic assemblies play in deciding matters of particular importance must be noted. Thus, one could indicate that the issue of accepting or rejecting Moldova's March ultimatum was resolved at work collectives' meetings.

Turnaround conversion

Massive involvement in decision-taking is pregnant with the very real danger of anarchy plus, considering the dramatic character of the situation, the inundation of authority by passions and emotions. However, in the Dniester region this is balanced by presidential powers and not last by the pronounced pragmatism of the DMR's entire political style.

Its government is one of professionals, mostly engineers, as well as agronomists and doctors, who had no link in the past with the CPSU apparatus or the more so its ideological structures. Which illustrates the absence of political and, the more so, ideological excitement among the population, so characteristic, for example, of Moscow and, hence, the noticeable achievements that even the rebellious republic's most furious opponents find it increasingly harder to deny. These successes are especially pronounced in the two more painful aspects of our life, such as economics and interethnic relations.

Thus, there easily emerged what the Dniester people futilely sought in Moldova, to wit the state status of the three basic languages of Moldavian, Ukrainian and Russian, and a bicameral parliament wherein the republic's three main ethnic units are represented by three groups of seven, each with the right of veto.

On the other hand, the absence of ministries, flexible economic regulation via the few departments and, mainly, the tax system enabled the government to balance the budget with a positive carry-over and restrict industrial output decline to a mere 4 percent, whereas in Moldova proper it has come to 25 percent.

True, DMR President Igor Smirnov believes production levels will continue to

fall, consequent on the crisis of the entire economic system with which the Dniester region's economy is so deeply integrated. Yet it is felt that the accumulated experience may soften this recession.

The already initiated transfer of part of production to a war-time footing, which we may qualify as a turnaround conversion, is modifying things. This is believed inevitable due to the acute nature of the conflict, the dimmed hopes of a pacific settlement and the unequal level of armament compared to Kishinev.

As the Bendery Workers' Committee notes: "We are aready producing mines, mine-throwers and flame-throwers. What else can we do? After all, they are getting arms, more specifically from the Ungeny artillery regiment which has its own howitzers and from the Floresti artillery division which even has its own armour."

There is no question that the decision the CIS leaders and the CIS high command took to transfer weaponry to Moldova, moreover, at a time of bloody conflict, does not lend itself to a more or less coherent explanation.

Federation or rupture?

That is how the question stands in the Dniester region today. Its population logically arrived at the conclusion they never dreamed of before. But now that they have set up their own efficient government structures and are forced to defend them at the cost of life, they will hardly be satisfied with such palliatives as a free economic zone or a special county with its seat in Dubossary in place of the downgraded Tiraspol.

People here believe that Moldova's territorial integrity may be preserved only if a federal system is adopted, with Moldova becoming a union of the three sovereign republics of Moldova proper or Bessarabia, Gagauzia and the Dniester region. Otherwise, the DMR will seek recognition of independence.

It is also thought here that Kishinev's sharply expressed refusal to even discuss the idea of a federation has only served to reaffirm worst fears that the Moldovan leadership's ultimate aim is reunification with Romania. For Romania, on the other hand, acquisition of the Dniester area, to which it has no historical rights and which it possessed only between 1941 and 1944, is unquestionably a revenge-claiming proposition. The Dniester people draw such conclusions from resolutions of the kind adopted at a Moldovan National Christian Party rally, which placed "Marshal Antonescu and his fighting men" in the pantheon of glorious rulers and their own land within the boundaries of "Great Romania." Curiously enough, though this resolution branded the "Stalin-Hitler complot" it said nothing about **whose** ally Antonescu had been.

They do not put much of a price either on the observable differences between the Popular Front and President Snegur, whom the PF constantly stigmatizes for his "renegacy," regarding this as a divergence of tactics within an overall strategy if not simply a ruse.

Then who said Mircea Snegur, who seems an obvious advocate of the "two Romanias" concept, would hold on for long? Many are inclined to interpret the new March 28 ultimatum presented to the Dniester area, which has so greatly troubled Carpathian-Balkan Europe, as an attempt to avoid the fate of Azerbaijanian President Mutalibov: the promulgation of a state of emergency spiked the PF rally slated for March 29, a development that could have had very serious consequences.

Cossack involvement is heatedly discussed by Moscow, Kishinev, Kiev and Bucharest

To cap it all, it is not absolutely necessary to reunify with Romania in order to be integrated with Romania. Indeed, the rapid deep-seated Romanianization of every aspect of life, which is so characteristic of Moldova today, could also bring that about. Hence a federation, or rather confederation, is seen as a means of preserving the ethnic home and cultural identity. This relatively painless way out of the deadlock enjoys a sufficiently large following nowadays; however, as the conflict intensifies, and the number of victims grows, this concept may go the same way as the proposal for a free economic zone which the Dniester area had also made in its time. Moldova proved willing to accept this proposal only when the Dniester people had already outgrown it.

Burning bridges?

In short, nowadays few advocate the idea of the free economic zone. On the other hand, carrying increasing weight are the "radicals" criticizing Tiraspol's moderacy. They are prepared to discuss blowing up all bridges except the Bendery bridge, in short, break off all, including economic, ties with Moldova which for the time being, as President Smirnov tends to stress, have not been ruptured by the conflict. Would there be any need in this case to note how this could modify the entire situation on the southwestern frontier of the geopolitical dimension so recently called the USSR?

As a matter of fact, Moldova's federalization would likewise have a profound impact on political processes here. Ukraine is attentively looking on. Reaction is not limited to President Kravchuk's hastily imposed border quarantine to avoid "infection" from this "danger-stricken" territory. The shaky nature of such hopes is well illustrated by the joint appeal to the Ukrainian Parliament which, adopted on March 21 by the Donbas Revival Movement, the Kiev, Kharkov and Nikolayev branches of the Ukrainian Democratic Reform Movement, the Kharkov Youth Association and the Kharkov public "Elections-89" committee, states:

"The attempt to demolish the Dniester republic is an attempt to dismiss the precedent of federal states in Moldova and Ukraine. That underlies the activity seeking to isolate the Dniester region and deprive it of support and help...

"Kiev mass media say nothing about the principal point, which is that what the Dniester region wants is not re-cut frontiers and a disintegrated Moldova, but a democratic state structure. It is precisely this that scares the opponents of a federal land system in Ukraine..."

Scarcely does one need to be a Cassandra to predict the further increasing repercussions of the Dniester events in Ukraine and in Russia. These repercussions will be all the more destructive, the more obstinately the by no means localized character of the conflict is ignored in spite of the absolutely obvious facts, and also the longer put off is that so necessary move of inviting the Dniester region to be represented on an equal footing with the others in the talks deciding its lot.

Ksenia Myalo

Konstantin Borovoi:

I HAVEN'T BECOME AN ACADEMICIAN, AFTER ALL

A very successful Russian businessman who isn't afraid of envy or being begrudged

The authors of the New Russian Entrepreneurs project (financed by Tekhnobank) suggested we interview the guru of Russian business, **Konstantin Borovoi.** He is 43, married, and has two daughters and a granddaughter. He used to be a mathematician. Now he is the president and head manager of the Russian Commodity and Raw Material Exchange.

You're very rich, aren't you?

The salary set by the Exchange Council in the protocol for me is huge – 70,000 rubles a month. But net I receive two times less, and that includes expenses on representation. Of course, I also hold stock which I have officially reported. I could have anything I wanted. But, frankly, I don't need material things. I live in the same apartment and have the same furniture. I had two cars when I was still a research worker – and that's what I have now.

"I lived on hate for a long time, and maybe I still do"

What about computers, a car with a chauffeur, a dacha?

Computers, a car with a chauffeur – all that belongs to the company. I had a dacha, but I gave it to my sister. I didn't need it.

What about your family? After all, you have a wife, two daughters and a granddaughter. What about your family property?

You must understand that the moment I got into big business – and that was in 1988 – I at once realized that I would always be in the public eye. And in order to do well in business, I would have to be irreproachable.

For you entrepreneurship is a kind of an art for art's sake?

Probably there is an element of fanatism in what I do. But the material stimulus disappears rapidly in big business. For me business is first and foremost creativity, the daily forging ahead, a mental game. Take investment activity, for example. Today I took part in working out the strategy of a secondary market for the Rinako stock. Actually, it is just a matter of mathematics – I have in mind maintaining the balance of the cost of the shares. For example, 2 million shares are issued – someone buys some, someone else sells some. I must see to it that the demand and supply correlation is proper. This, you could say, is entrepreneurship for entrepreneurs. The goal of an exchange is to create structures and conditions for organizations which are entrepreneurial. I work out overall strategies.

How does the exchange work? There are big and small entrepreneurs in it. When the stock goes up, the small ones try to buy it at once, and when the stock goes down, they immediately sell it. The strategy of the heavyweights is just the opposite. When the stock falls, they buy it. Here it is more complicated. Though you get much less for each share, you win overall. That is the creativity I am involved in.

What about the other businessmen who work with you, are they also fanatics?

I know some people who are much more relaxed... But the majority of our entrepreneurs are great enthusiasts. When I concluded negotiations in London fifteen minutes after the workday was over, the English looked at me as if I were a murderer. Free time is holy to them. It is for sports, for oneself. For us, health, sports – all that is considered plebian. They say what's the use of living, then? And on the whole, they're absolutely right. A calmer generation will soon take over from our current fanatics.

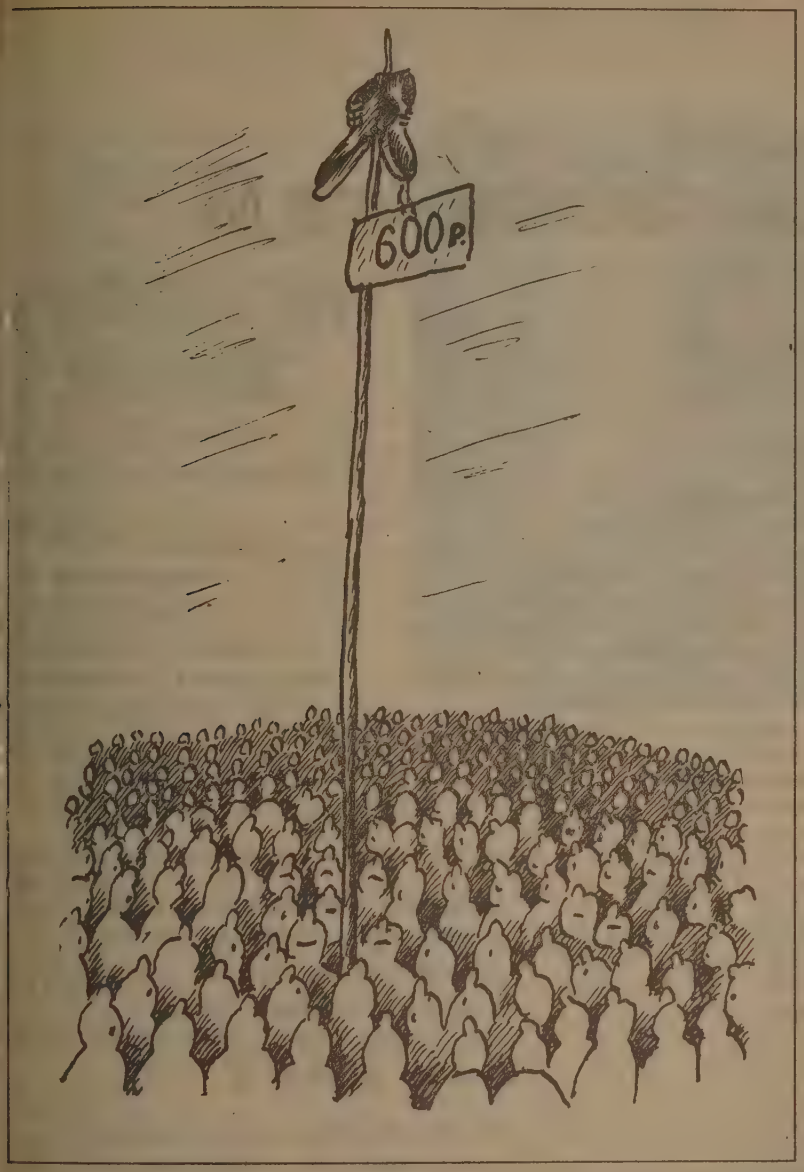
This can be compared to the process of creating an automobile. At first one works practically with one's bare hands. You see, one works without sleeping, thinks up things, improves details, invents casts for moulding. But only ten cars a year can be produced in that manner. For mass production, there has got to be the proper technology.

Are our conditions such that the proper technology can't be used here yet?

Unfortunately, not. And this is something many foreigners who want to cooperate with us don't understand. They have very simple work schemes which are almost unrealizable here, because the laws here are still just in the making and are very vague. The majority of normal middle Western businessmen get scared and run as soon as they understand this. But the most far-sighted see in Russia a partner that is capable of overcoming the problems.

Maybe you would explain, nevertheless, taking yourself as an example, this miracle working Russian entrepreneur. How did you yourself break away from the state, and why ?

I broke away at once – in the summer of 1987, I think. Though I was well off working for the computer department then. This surprised everyone, because I was an assistant professor and would likely have become head of the department. I just said: "So long, guys, I'm tired of you," and slammed the door. That is, I quit.



Drawing by Vladimir Lepkhanov

Did you decide that just all of a sudden?

No. In the spring of 1987, I organized a group which worked under contract solving problems of technological control for enterprises. The first contract was for 600 rubles. For the second we got 20,000 rubles and for the next one, 70,000 rubles.

I actually turned into a manager. I got orders, hired people. At that time such assignments took the state a year and a half, with 30 programmers solving them. My three or four men solved the problems in a month and a half. The head of the group earned 22,000 rubles. At that time it seemed like mocking the system. We were encouraged, and the clients squealed with delight. It was probably then that I understood that I couldn't work for the state anymore.

Did you resign then?

Yes.

Was that difficult psychologically?

Yes. It's always hard to take risks, to slam the door. Maybe that is the hardest thing to do. Imagine, you come home and sit down. It's just you and the family. And you are responsible for it. And your home phone is your work phone.

Were you sure you wouldn't go under after breaking away from the state system?

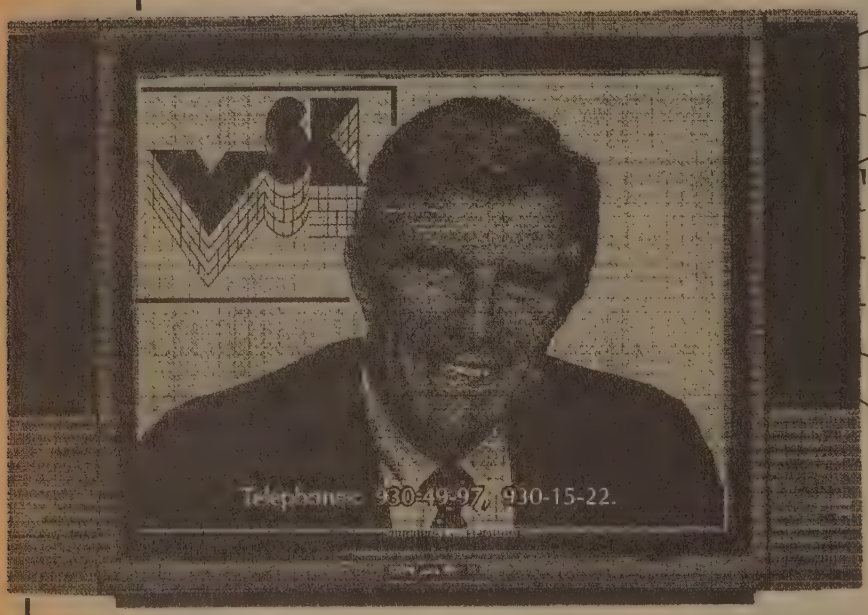
No, I wasn't. But there was a degree of freedom you can't imagine. Being your own boss is a real joy. No one is over you, you don't have to take any nonsense. You plan your own life, business is great. Besides, I understood that I could always go back to work for the state. After all, I was a top-notch specialist. I understood something else, too: I would always make money. Whether more or less was another matter.

You wanted freedom, to be your own boss, that's understandable. But was there any other reason why you left your state job?

You can't imagine how I hated it. It killed people, devoured them. Let me tell you about one incident. Towards the end of 1988, when I was already in business, a close friend of mine asked me to help the Vavilov Scientific Technological Society. He was its director. I was appointed his assistant for scientific research. I began to shake up this swamp. I concluded a contract. A 500,000 rubles profit was made. For them that was unthinkable money. The chairman of that society immediately summoned me and said: "What are you doing?" "I want your organization to make a profit," I answered. He was horrified: "Have you gone crazy?! Stop that this very minute! You're conducting yourself like a swindler, a businessman!" That was the end of everything.

Afterwards it was explained to me that the society was a basically parasitic organization, that is, it existed for those who had been laid off from the big military scientific research institutes. In such swamps any initiative must be smoothered. I had come out of it myself. I wrote my thesis in a year, typed it up and made 16 diagrams. I showed them to my advisor. He said: "Destroy it all. It's only supposed to be a page-long formulation of the problem. A five-minute report. No more." Of course, I spoke longer. The report took an hour and a half. I was simply trampled. For the first time in the history of the department doubt was expressed whether the thesis would be defended.

I ran up against the system all the time. The first time we earned big money we decided to open a free canteen. The city Executive Committee refused to register it, and for the most stupid reason: these avaricious cooperators, they said, aren't putting the money in the Soviet Peace Fund, but undermining our ideology. After all, there are no poor in our country. The cooperators are only doing it not to have to pay taxes. In those days, not even the TV programme *Vzglyad* had yet admitted that there were poor here. And those on the Executive Committee told us right in our faces that soon we would be put in prison. Can a normal person not hate all that? I have lived



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- timber, wood products and refuse wood;
- chemical products and fertilizers;
- metallurgical products and scrap;
- construction materials of all kinds and purposes;
- industrial and household electrical equipment;
- different kinds of construction projects abroad.

IMPORT

- complete technological lines, mechanisms and equipment for various industries (the treating of stones, glass production, brick production and the treating of wood);
- cattle-breeding complexes and equipment for processing milk, meat and other animal products;
- medical and diagnostic equipment;
- industrial and civil construction projects inside the country.

hating for a long time, and maybe I still do.

How did you get the idea of an exchange?

You see, I was a very capable and rational destroyer of the system. I understood that at the first stage of entrepreneurship, when the old economics runs up against the new, a structure which would permit both to exist was needed. So we – some friends and I – thought up this exchange in the kitchen. With it, the new economy sort of eats away the old one.

So you were the organizer again. That's your style, isn't it?

Yes. It's like a brainstorm. I have a knack for that. You know I'm a mathematician who through self-education and experience got some knowledge, but to conduct business properly, I have to constantly experiment.

I buy good brains right off, no matter how much they cost. I can foresee some things, but my method is to force people to come up with optimal variants rather than to make all the decisions myself. For example, take the Agency of Economic News. At first, we thought of making it something like Reuters. What was needed to do that? An information network, means of communication with the exchanges and banks, a system of contacts and a group of analysts. We decided that the distinguishing feature of this agency would be not only gathering information, but also analyzing it. The next step would be creation of correspondents' offices and finding the ways of interacting with the brokers and business at large. And that's the theory for you. As for practical matters, it was necessary to improve the computer system, the regularity of information, and determine the cost.

So you are the brains behind any business.

No, not me. The analysts are. I'm not even the main generator of ideas, fortunately, they don't only come to me. Maybe I'm just a system analyst in the field of economic means.

Are you a born businessman?

No, my father was a professor, a mathematician. It was as if I were predestined to be an academician. My relatives say that when I was four or five, I told everyone I would be an academician.

How did your relatives feel about your going into business?

They worried... True, my father died about then – for him it would be a great disgrace. My mother thought I was out of my mind.

And now?

Even now.

Isn't she proud of her son? That he is one of the first businessmen in the country?

She's not well now. She has had a stroke... My sister is a hydrogeologist and a survey party leader. I don't think she approves my choice very much either. She's one of those typical Soviet intellectuals for whom business and money are always looked down on.

Lately, have you ever felt you'd like to quit all this and be a mathematician again?

In dreams, ideally, I sometimes see myself in an office with a pencil and a sheet of paper. I'm sitting and writing formulas... But that would only be possible if I had a heart attack.

It'd probably be boring for you if you went back to being a mathematician.

What are you saying... Creativity is such a joy. Here it's different. Our ambassador to Italy asked me once: "You won't quit business and leave the country, will you? Do you know the amount of responsibility for the people, for the organizations which you represent?"

So it is all a matter of being responsible. And did people ever deceive you?

Very seldom. There were a couple of times – and I even knew those were untrustworthy people.

Can you see through people?

Of course. That is, possibly, the main thing in business. When I hire people, I analyze them. A good while back, a department head asked me to run the computer centre on a part-time basis. When I went there, there were 50 to 70 people and one computer that didn't work. Can you imagine such a computer centre? I shook the people up a bit and fixed the computer. And soon the people themselves began to divide up into those whom the new arrangement suited and those it didn't. And I could then easily create a normal work group. You know, money is nothing. You can borrow some, get it somehow... The most valuable thing in business is people.

What about education?

You have to know how to use experts. That is, to give them the right assignments, to see people and be able to talk to them. You get the most valuable information during debates or as a result of negotiations.

Do you think that if Western businesses enter our market, our Russian entrepreneurs will be able to compete?

They won't come to our present madhouse. Today they ask if they have the right to take the profit out of the country. But it all depends on what the situation will be in our country tomorrow. If there are enough Russian entrepreneurs and they have money, personnel, technology, then they will be able to stand up to the Western competition. But if they are few and their rights shaky, we may go the colonial route.

What is in the way of the optimal path of development today?

First of all, the legislative tangle. Secondly, the resistance from the state mafia. A very dangerous thing is going on: the directors of the enterprises and officials of the executive committees – basically yesterday's *nomenklatura* – have an advantage in many things, especially in acquiring property and setting up plants. They become businessmen due to no merits of their own. And they won't be able to stand up to competition and then they'll squash us the new generation... For example, I have a friend – he rented a basement, bought two machines and began to make fur coats. When they drove him out of that basement, he moved into another one already with 8 machines. All that unnecessary interference holds things up. At the same time, some director of a plant takes the best buildings for himself, hires the best workers. .. On the one hand, these people are deprived of natural competition. We the new generation have had it tougher, and therefore are more likely to survive. But we lose time.

Tell me, please, does entrepreneurship bring society good or evil, after all?

Clients come to me and say: recommend a company that can be trusted. There are 1,200 companies in our exchange. The clients want not only to conclude contracts for a deal, but are seeking trust. In the new economy, there are no fixed prices, they all fluctuate. And you are trusted with money so that you can fulfil your duty in the best way. In other words, trust costs a lot of money under the present conditions. Now honesty and reliability are the main assets. I remember how one company let me down. They came and explained that there were objective circumstances and showed me documents. They treasured their good reputation. For they had entered the market to stay. The unreliable don't last long in the new economy. That's why this economy is like a live self-regulating mechanism.

Interviewed by
Igor Bunin
and Yelena Chekalova

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DOSSIER

DECREE BY THE PRESIDENT OF RUSSIA ON CREATING REPUBLICAN HARD CURRENCY RESERVES IN 1992

With a view to accumulating essential centralized hard currency funds to service the republic's foreign debt, stabilize the ruble exchange rate and buy prime necessities for the population, I hereby resolve:

1. In order to create the Russian Federation's republican hard currency reserves, to set, as of January 1, 1992, for all kinds of foreign currencies a standard rate of 40% of the hard currency earnings of enterprises, amalgamations, organizations and individuals (hereinafter referred to as enterprises) from the export of goods and services listed in Supplements 1 and 2 of this decree to be mandatorily sold to the republican hard currency reserves at the special commercial ruble rate. For individual types of work (services) listed in Supplement 2 of this decree, the rate of hard currency earnings to be mandatorily sold applies to the sum by which earnings exceed hard currency payments made in performing the aforementioned work (services). Based on the lists contained in the supplements to this decree, the Russian State Customs Committee should, in agreement with the Committee for Foreign Economic Relations, within a month, publish the detailed list of goods and services part of the hard currency revenue from the export of which is subject to mandatory sale. Part of the hard currency revenue of enterprises from the export of goods (work, services) sold mandatorily to the republican hard currency reserves does not include the cost of the goods transportation, insurance and forwarding abroad.

To allow the Russian Federation's Council for Currency and Economy, in agreement with the State Customs Committee, to fix the rate of hard currency profits to be mandatorily sold to the republican hard currency reserves in terms of conventional units of goods.

Part of hard currency earnings from exports of goods (work, services) leaving the territory of the Russian Federation before January 1, 1992, shall be sold to the republican hard currency reserves at the commercial ruble rate with effect from December 29, 1991.

2. The rates of hard currency earnings from the export of precious stones and precious metals to be mandatorily sold to republican hard currency reserves, and the procedures for making such sales shall be determined by Russian government's decisions.

3. Funds from the republican hard currency reserves shall be used by decision of the Russian Federation Council for Currency and Economy to service foreign debt, stabilize the ruble's market rate and import prime necessities.

4. To allow enterprises to channel up to 2% of their hard currency earnings to the hard currency funds of republics and regions, which are parts of the Russian Federation, as part and on terms of selling hard currency to the republican hard currency reserves.

5. With a view to fostering a domestic hard currency market to introduce, as of January 1, 1992, mandatory sales of 10% of all hard currency earnings by all enterprises, regardless of their form of ownership to the Russian Central Bank at the ruble's market rate in order to form a hard currency stabilization fund which shall be used exclusively to maintain the ruble's market rate.

6. Mandatory sale provisions shall apply to the part of hard currency earnings listed in clauses 1 and 5 of this decree for all enterprises registered on the territory of the Russian Federation, regardless of their form of ownership and place of registration, with the exception of revenue from the export of finished products, components and materials under international coproduction schemes, including cooperation in the processing of raw materials supplied by the customer, as well as cases envisaged by law in force.

The Committee for Foreign Economic Relations in conjunction with the Ministry of Economics and Finance, the Ministry of Industry and the State Customs Committee should work out and endorse by January 20, 1992, procedures for exempting part of hard currency earnings made under international coproduction schemes from mandatory sales, including cooperation in the processing of raw materials supplied by the customer.

7. Part of hard currency revenue remaining under the mandatory sales shall

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be directed to form the respective enterprise's hard currency funds. These funds may be used to import goods, buy rubles at the market rate or for other purposes not prohibited by law in force.

8. To recommend that the Central Bank set, in agreement with the Ministry of Economics and Finance and the Committee for Foreign Economic Relations, a special commercial ruble rate to be applied to purchases of part of enterprises' hard currency earnings to be mandatorily sold to republican hard currency reserves, in terms of the percentage of the ruble's market rate, as quoted by the Central Bank on the basis of the average price of actual deals concluded on the international market during the sale and purchase of hard currency by commercial banks, other legal entities and individuals, and at auctions and exchanges.

Changes in the special commercial ruble rate should proceed from the need to bring it into line with the ruble's market rate.

To instruct the Central Bank to publish the ruble's market and special commercial rates on a weekly basis starting with December 30, 1991.

9. Hard currency revenue from exports of goods (work, services) shall necessarily be remitted to accounts in authorized banks on the territory of the Russian Federation, unless other arrangements are made by the Central Bank.

Enterprises violating the aforementioned procedures for remitting the hard currency earnings shall be subject to a fine amounting to the sum total of their concealed hard currency revenue, which shall be paid to the republican hard currency reserves.

Legal entities which have had hard currency funds in bank accounts abroad without the necessary permission from the Russian Central Bank or the Soviet Gosbank (issued by Gosbank before December 8, 1991) at the moment when this decree was adopted, should, within three months of the decree's publication, remit these accounts in authorized banks on the territory of the Russian Federation. Funds not remitted to accounts in authorized banks within this time period shall become the property of the Russian Federation and subject to confiscation and payment into the republican hard currency reserves.

The Justice Ministry and the Committee for Foreign Economic Relations should within the next two weeks draft proposals for the confiscation and payment into republican hard currency reserves of the funds of enterprises that are illegally kept in bank accounts abroad.

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10. Enterprises exporting goods (work, services) shall be obliged to specify in customs declarations the full name and other essential details of the authorized bank through which they will settle accounts with their foreign partners as well as the time during which the hard currency payments shall be made. Simultaneously with the customs declaration the exporting enterprises shall be obliged to submit confirmation to the customs authorities from the authorized bank mentioned in the customs declaration. In order to exercise control over the mandatory sale of hard currency, the State Customs Committee shall regularly (at least once in a month) provide the authorized banks mentioned in the customs declarations and the Central Bank with the registers of the customs declarations on the basis of which the respective goods have been cleared to pass customs.

Should an exporting enterprise fail to provide a bank with payment documents or remit its hard currency earnings after the deadline specified in the declaration has expired, the authorized bank shall notify the Russian Government's hard currency inspection service within 30 days for checking the enterprise's foreign economic activity.

11. The State Customs Committee should make the necessary changes to procedure for declaring export/import cargo with the aim of ensuring the supervision of hard currency.

12. To charge the Russian Vneshtorgbank with servicing republican hard currency funds and handling a corresponding account in agreement with the Central Bank.

13. To recommend that the Central Bank in agreement with the Ministry of Economics and Finance, the Committee for Foreign Economic Relations and the Justice Ministry draw up and make effective before January 10, 1992, a statute on procedures for mandatory sales by enterprises of part of their hard currency revenue and regulations on authorized banks' accountability for the remittance of these funds to republican hard currency reserves.

14. To establish a hard currency inspection service under the Russian Government to ensure the supervision of hard currency within the Russian Federation. Should enterprises, banks or other financial institutions violate the provisions of this decree or rate-selling orders by the Central Bank, the hard currency inspection service may apply the following sanctions in line with established procedures:

– exact a fine within the limits set by the Council for Currency and Economy;

– strip banks and other financial institutions of their licences to engage in

DOSSIER

hard currency transactions, and enterprises of their licences to export and import goods (work, services);

– bring officials and individuals, who have violated hard currency regulations or have failed to take proper measures towards their observance, to criminal and administrative responsibility in accordance with legislation in force.

To instruct the Committee for Foreign Economic Relations, in agreement with the Ministry of Economics and Finance, the Central Bank, the Vneshtorgbank and the Justice Ministry, to draft and make effective from January 1, 1992, a statute on the hard currency inspection service under the Russian Government.

15. To bind the state taxation service when running checks on enterprise's activities, to exercise control over how fully and promptly hard currency remittances are made in the Russian Federation and over the validity of payments directed abroad in foreign economic transactions.

16. The Ministry of Economics and Finance should make provisions in drafting the state budget for 1992 for funds to buy hard currency for the republican hard currency reserves which should come from earnings from the exaction of export duties on individual goods exported from the Russian Federation.

17. The Russian Government should submit a draft law on hard currency regulations and supervision in the Russian Federation to the republican parliament within two weeks.

18. Control over abidance by this decree shall be the duty of the Council for Currency and Economy.

19. This decree shall come into effect from the moment of its being signed.

President of the Russian Federation
Boris Yeltsin
The Kremlin, Moscow
December 30, 1991

SUPPLEMENT 1

List of goods, a portion of the export earnings of which is subject to mandatory sale to the republican hard currency reserves.

Number and name of the respective section in the commodity classification list for foreign economic activities.

I. Live animals and livestock products.

II. Vegetable products.

IV. Processed food products; alcoholic beverages, alcohol-free drinks and vinegar; tobacco and substitutes.

V. Mineral products.

VI. Products of chemical and associated industries.

VIII. Raw hides, leather, furs, pelts and products made of them; harnesses and saddles; travel accessories, bags and similar goods; products made from animal gut (with the exception of catgut).

IX. Wood and wooden products; charcoal, cork and cork products; products made from straw, esparto grass and other materials for weaving; baskets and other woven goods.

X. Wood pulp and other fibrous plant materials; waste paper and cardboard; paper, cardboard and products made of them.

XIV. Natural and artificial pearls, precious or semiprecious stones, precious metals, covered or plated precious metals and products made from them; bijouterie; coins.

XVI-IV. Weapons, ammunition and their components.

SUPPLEMENT 2

List of work (services) subject to a mandatory rate for the sale of part of the hard currency earnings from their export, applied to earnings over and above hard currency expenditures in performing aforementioned work (services).

I. Railway, shipping, air, road and river transport services.

II. Freight insurance and forwarding services.

III. Trading, brokerage and banking operations.

IV. Tourist and cultural services.

MOSCOW BUSINESS WEEK

DOSSIER

RUSSIAN PRESIDENT'S DECREE ON FREEDOM OF TRADE

With a view to developing the consumer market, promoting competition, overcoming monopolism in the retail trade sector and creating conditions for the rapid development of trading and intermediary networks in the context of price liberalization, I hereby decree:

1. To grant enterprises, regardless of their form of ownership, and individuals the right to engage in trade, intermediary and procurement activities (involving cash payments as well) without special authorization, with the exception of trade in arms, ammunition, explosives, poisonous and radioactive elements, drugs, medicines and other products, whose sale is either prohibited or restricted by law.

2. Goods, imported by individuals into the territory of the Russian Federation, or mailed to their address, are exempt from customs duty.

3. Assets of state and municipal trade and public catering enterprises, handed over to the labour collectives of enterprises which have been granted the rights of a legal entity under the Russian Federation President's Decree No. 232 of November 25, 1991, On the Deregulation of Trade Sector in the RSFSR, as well as individuals under leasehold contracts with the right of subsequent buy-out, concluded before July 17, 1991, shall be sold to the leaseholders not later than 14 days from the filing of the application.

The Russian Federation's State Committee for the Management of State Property shall work out by February 10, 1992, a buying-out procedure.

4. Enterprises and individuals may organize trade (including street vending) in any convenient places, except for public roads, metro stations and territories adjoining the premises of state administrative bodies. Enterprises and individuals engaged in trade shall be responsible for the quality of goods sold in line with legislation in force.

5. Local authorities shall:

– promote free trade by enterprises and individuals, with a special focus on the appropriate equipment of trading places, maintenance of public order and compliance with sanitary norms and rules;

– take measures to organize wholesale markets in major cities and regional centres. For this purpose, territory to accommodate such markets, complete with parking lots for trucks, approaches, and appropriately guarded, shall be allocated by February 15, 1992;

– ensure the unimpeded movement of goods into territory of the Russian Federation, as provided by the Russian President's Decree No. 269 of December 12, 1991, On the Single Economic Space in the RSFSR, prohibit detainment and confiscation of any cargoes, transported by various vehicles, as well as claiming any cargo documents, unless otherwise provided by law.

6. The government of the Russian Federation shall, within a three days' time, work out proposals to be submitted to the Russian Federation's Supreme Soviet, on introducing progressive taxation of profits on wholesale and retail trade enterprises whose profit margins exceed 50 percent.

7. The government of the Russian Federation shall adjust the earlier adopted decisions in line with the present decree.

8. The enforcement of the present decree shall be entrusted to executive bodies of the republics forming part of the Russian Federation, regions, districts, autonomous entities, and the cities of Moscow and St.Petersburg.

9. The present decree shall take effect from the moment of its signing.

MOSCOW BUSINESS WEEK

President of the Russian Federation
B.Yeltsin
Moscow, the Kremlin,
January 29, 1992

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FESTINA LENTE

This is an advice from a London-based lawyer currently working with Russian businessmen

They were sitting for 12 hours on end in a suit at St. Petersburg's Hotel Astoria, going through every single line of a business contract. British lawyer Adrian Churchward, from the London company Blakes, who represents interests of two US clients, and two Russian business partners. The document was in Russian, and though the British lawyer reads in Russian and there was a translator to help with difficult bits, it took them, nevertheless, two hours to argue over one particular clause. The reason, as it turned out, was that the British and the Russian partners had interpreted the wording of the clause differently.

"Let's sign it, drink vodka and be friends"

Could the described situation have been avoided? As an experienced lawyer, Adrian Churchward prepared 10 copies of the document in Russian and English two months before the meeting. The Russian side had to read it, suggest amendments, or say: we'll prepare fresh documents and show you where they differ, which is an internationally accepted practice.

However, the Russians got Churchward's documentation, said thank you and didn't say anything about them for two months before producing their own variant at the meeting in Astoria, putting it on the desk and saying: sign that. The Russian businessmen were apparently eager to have the matter done with quickly and have a small party to mark the occasion. They didn't seem concerned about possible ambiguousness in the wording of their document.

Dolce far niente Russian style

The absence of civilized legal and economic traditions presents only one of the many problems the British lawyer has to face in dealing on this "one-sixth of the world's land."

Another problem is how to persuade ex-Soviets to work. After decades of work under no incentives, Soviets seem to prefer what Ernest Hemingway called *dolce far niente*, or sweet idleness – meagerly compensated for though. Adrian Churchward notes that dealing with Russian employees over 40 or 50 years of age, who come from the "old school of thinking," and trying to get them to come into the office or the factory and actually work, and see the benefits from working, is an impossible task. Work ethics don't appear to be present in the former Soviet republics. Those who are younger, under 40, at least most of them, understand this. They say it's going to take generations to get it out of our system, because it had taken generations to get it into our system. Until recently, it's been a criminal offence for individuals here to make a private profit. Speculation and entrepreneurism were outlawed in the Soviet Union.

Preferring Dostoyevsky to Shakespeare

Adrian Churchward can adequately explain Russian reality to his clients because he knows it well from his studies of the Russian language, literature and history in his home country. Incidentally, his wife is a Russian.

When at school, he used to read Russian literature: Tolstoy, Dostoyevsky, Pushkin. "I was fascinated by Russian culture and history. I would rather skip class and go and read Dostoyevsky who is the greatest novelist there has ever been," admits Adrian.

Meeting a school friend after 20 years of not seeing him – he was running travel and business agents to the Soviet Union – Adrian got an offer from him to come to Moscow, and he immediately took it. That was in 1985, at the dawn of the *perestroika* era. Adrian has become "addicted" to Russia and has been visiting it every month ever since. He admits: "My philosophy is this: you have one life, make the most of it. I have travelled all over the world. I have no political views, I am not for or against anything. I just want to go through life and see as much as I can. If asked tomorrow would I like to go to the Moon next week, I would go."

Perhaps a trip to the USSR of the mid-1980s was for him as enthralling as a space voyage.

"Too many people trying to do too much too quickly"

To develop the metaphor, this trip can involve as many inconveniences. I have already mentioned some of them. However, there are more problems hamstringing business for the British lawyer, for example, legislation in the CIS. Says Adrian:

"You still have to decide what the legal relationship between the different republics is going to be – you have this CIS treaty, economic treaties, but nothing seems to be settled. That has to be resolved, like we are trying to settle problems in the Common Market at the moment – on the enforcibility of law and things like that. Once you have established what sort of relationship you are going to have with each other, you will have to establish a system whereby the laws can be enforced."

Churchward mentions the creation of the Constitutional Court in Russia as a positive development. But "your problems become exacerbated when you are making as many laws as quickly as you are: too many and far too quickly." All these laws, particularly economic laws, are not being considered properly, the effect they are going to have on society is not being seen through. Lawyers are going to have a lot of problems understanding what the parliamentary inventions are and trying to implement those laws, and then courts are going to have the same problems interpreting them. In Churchward's opinion, the CIS lacks experience, particularly in the field of economic law, which is sharply manifested in a too quick rush to a market economy.

He believes that it's a good thing getting away from a dictatorial society to a more democratic society, with law-making bodies other than the Politburo or the President of the Soviet Union, or the General Secretary of the Communist Party. But the transition cannot be made overnight. The country needs a court system which will implement laws, regulate the rights of the parties. There's still a long way to go

The issue of property ownership

About 90-95 percent of the assets of wealth in the former Soviet Union are still in the government or state hands – they have not been privatized or taken over by private concerns, which is a major hindrance for progress. When the Western investor enters into a joint venture in the CIS, it is expected to put in money and equipment or know-how. The other party is supposed to put in rubles, provide a workforce and land or buildings. In the West, when you invest in a company, to get security for the investment, you take a mortgage. But there are no mortgage laws in Russia, and most Russians haven't even heard the word.

Banks giving money to companies intending to start a business in the CIS want a mortgage to secure their money. The banks say: "You are putting half a million dollars into this factory, you are supplying all the equipment, but in six months, Moscow City Soviet comes and takes it away. What guarantees do you have?"

Adrian Churchward believes that the matter of property ownership needs to be sorted out. The best way when you lend money to somebody is to take a mortgage on a piece of property, that's security. So if a person doesn't repay, you take the property and you sell it. Churchward emphasizes that the mortgage laws which Russia is drafting now must give the new owner of property (acquired on mortgage) the right to dispose of it as he sees fit.

Adrian Churchward represents interests of Western investors who are doing business in Russia, Kazakhstan, Ukraine and elsewhere in the CIS and Eastern Europe. However, most of his clients are non-British. How does he explain it?

The British, by their very nature, are conservative and very reluctant to rush into investment opportunities. The Americans have a history – it's in their nature being aggressive, fast, forward; and they will go and do things. The Germans are investing for obvious reasons – geographical and geopolitical – in the CIS (the same, to some extent, with the Italians and the Finns). The British tend to stay back and are about the 15th in the list of investors in the CIS, way behind Austria and Holland. It is difficult for Adrian to explain to his clients that they should, perhaps, consider investing in the ex-Soviet Union. But he welcomes the challenge.

"It's the first time, to my knowledge, that a society as large as yours has changed from a Marxist-Leninist phiolosophy to becoming a rule-of-law society," he told me during our meeting in London. "It's history in the making, and I'm absolutely fascinated to witness it. I have to work for money. If I didn't have to do that, I would spend my time probably in Moscow studying Soviet law in greater detail, and the changes in your society.

V. Zhitomirsky
LONDON–MOSCOW

NEW TIMES
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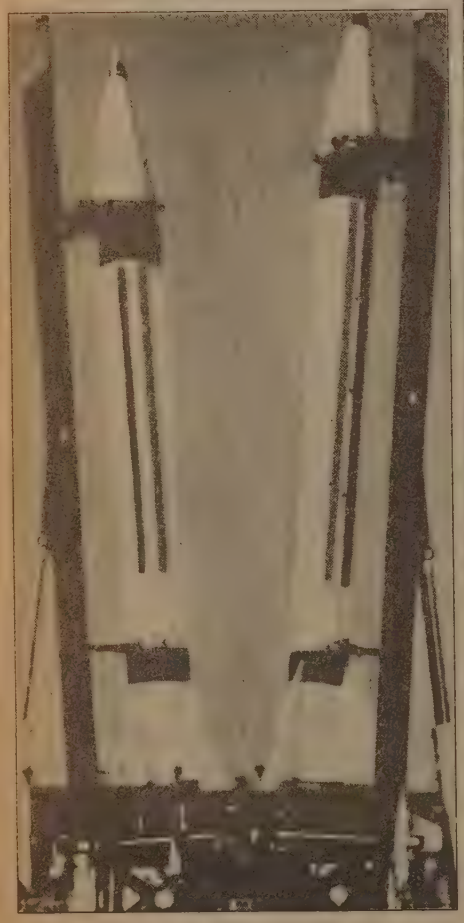
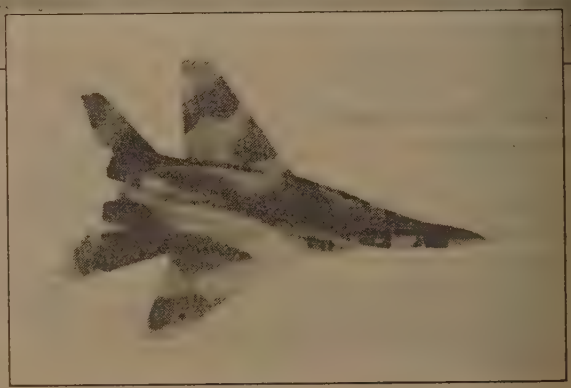
TO SELL OR NOT TO SELL?

While making billions on arms sales, we may lose much more





The SCUD missiles, the MIG-29 fighter planes, modern tanks: competitive Russian exports?

Photos from the book Soviet Military Might (USA) and l'Express magazine (France)

The arms trade leads to a massive transfer of weapons to the planet's hot spots where they became concentrated. The aggregate military might of the thirteen most active arms buyers (the People's Democratic Republic of Korea, South Korea, Vietnam, India, Pakistan, Iran, Iraq, Syria, Israel, Egypt, Saudi Arabia and other Gulf countries, Libya) is all but superior to that of the NATO bloc:

Type of weapon	Buyer states	NATO countries
Tanks	31,000	20,000
Armoured vehicles	34,000	30,000
Helicopters	1,170	2,000
Planes	5,800	6,800
Total troop strength	over 7million	under 5million

The growth of the developing countries' military might does not, however, scare Europe and the USA so far. The Gulf War has not influenced the West's complacency. The Vietnam and Korean wars have receded into the past. Russia's tragical losses in Afghanistan are not linked up with the arms trade the USSR has done and the CIS is now doing. Money smells of gunpowder.

It is not only Russia and other CIS countries that sell arms. But let us see what their share in this business is. According to the SIPRI yearbook for 1991, the Third World countries purchased a 101.4 billion dollars' worth of weapons in 1986-1990, with the US accounting for 21.7 billion, and the USSR, for 43.1 billion of the sum (in terms of cost; actually, weapons were undersold). In 1989, the USSR's share in world arms export amounted to 37 percent, and the US share, to 34 percent. In 1990, the USSR's share fell somewhat to 29 percent, and the US share grew to 40 percent. The 1991 statistics are not in yet, but there is reason to believe that by now Russia and the Commonwealth have regained their lead.

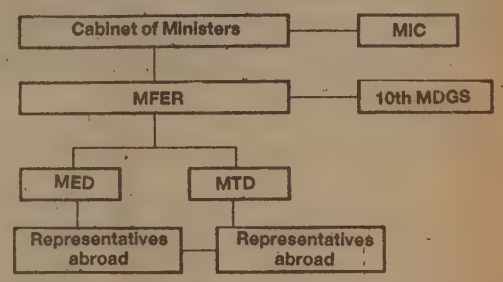
Their choice of clientele is dubious, with just a few exceptions. Over the past decade, Iraq imported 27.3 billion dollars' worth of weapons, with the USSR responsible for over a half of this sum. Although certain dictatorial regimes once armed by the Soviet Union for political reasons receive no weapons from Russia any longer, there is every indication that military cooperation with Cuba, including arms deliveries (formally paid for), continues. The CIS-made weapons buttress up dictators, contaminate the atmoshpere in the world, and preserve the rudiments of global confrontation which Russia has so resolutely and loudly renounced.

The range of Russia's arms export also raises doubts as to its political, economic, moral and strategic expediency. The emphasis is on combat missiles, the notorious SCUDs with a 300-km range of action. At least 6 or 7 developing countries received from the USSR no less than 300 launchers complete with an enormous number of missiles. In Iran, the PDRK and Iraq the missiles were modernized, and their effective range brought to 900-1,000 km.

The export boomerang

Besides the Scud-B missiles, the Frog-7 tactical ones with a range of up to 70 km were sold. The Middle Eastern and other developing countries got their ground-to-ground missiles from the Soviet Union, for the most part. The USSR's only rival was China. Now reports are coming in on combat equipment from the former Warsaw Pact countries turning up in the Third World. The perfidy of this kind of business has been clear on many occasions. There are no guarantees that the weapons intended for "friends" or even "brothers" won't be ultimately used against the country of origin: the US arsenals in South Vietnam were captured by Hanoi troops, the bulk of Soviet weapons lavished on Egypt fell into the hands of Israel, and Kalashnikov submachine guns were used by Afghan mujahedin as well as by Soviet soldiers. The regions of still growing arms concentration are in close proximity to the CIS borders,

Russia's "arms merchants"



In Russia, arms are delivered to foreign clients by the Ministry of Foreign Economic Relations (MFER) on the basis of decisions made by the Cabinet of Ministers which places relevant orders with the munitions plants of the country's military-industrial complex (MIC). The MFER comprises two specialized divisions: the Main Engineering Directorate (MED) and the Main Technical Directorate (MTD). The former sells arms and combat equipment, and the latter, sells and builds objects of military infrastructure. Both directorates have their representatives abroad who are on embassy staffs and take their instructions from economic advisers.

The directorates are staffed with servicemen. The MED is headed by a Colonel General, and the MTD, by a Lieutenant General. The MED and MTD personnel (military advisers and experts) are selected and trained by the 10th Main Directorate of the General Staff (10th MDGS).

The MED and the MTD are traditional monopolists in the Soviet export of weapons and combat equipment. Recently, the right to deliver weapons to foreign states has been granted to other military structures which have set up joint trading organizations. This move has been made with a view to raising servicemen's welfare standards, but was annulled the other day because of the resultant abuses.

Our own information service

which may spell trouble. After all, the situation in the buyer countries is unstable, and any changes there may have unpredictable consequences.

Nevertheless, Moscow still hasn't paused to think in earnest what arms sales may lead to. Previously, the decisions on Soviet arms deliveries were made by quarters which did not bother to give a military-strategic analysis to the situation. The Chief Operations Department of the Soviet General Staff had no hand in making these decisions.

Those who insist that arms sales should be carried on have their own reasoning, of course. Relevant international agreements have been signed, and violating agreements, even under the most plausible pretexts, is a dangerous practice. Conversion cannot be accomplished overnight, so any sums in dollars our arms exports make are welcome. Besides, if Russia withdraws from the world arms market, the void will promptly be filled by someone else, of course.

At the same time, the world – and, chiefly, the countries which the lobbyists of the Russian military-industrial complex and the opponents of conversion see as clients – are oversaturated with weapons. Bringing this oversaturation up to a critical level is a senseless and near-sighted policy. If the public is to have its say on the matter, it should be kept informed about Russia's arm sales effort: our public still depends on foreign sources for relevant statistics.

We shall have to go on selling arms which we have accumulated large surpluses of. It was not for nothing that in the last years of its existence the USSR began to contribute to various international arms shows. The obvious idea was to find new clients. It looks as if Russia is not going to stay away from such arms sales promotional undertakings either. A special business centre has been set up as part of Marshal Shaposhnikov's staff. A sizeable proportion of our military-industrial complex is still manufacturing arms in excess of our needs. The whole point is that we ought to sell arms on mutually advantageous terms rather than giving them away on unlimited credit. Besides, a differentiated approach to buyers is needed. A peace-loving Egypt is one thing; Libya, an accomplice in and, probably, an organizer of international terrorism, is something else again. Differentiation is particularly important now that an unprecedented upsurge is coming in Soviet arms deliveries abroad. It is rumoured, for example, that we are going to sell 1,000-1,600 planes which equals or even surpasses the aggregate plane fleet of Israel, Syria and Iraq.

Armour scrapped

As we differentiate and revise the existing agreements, we should freeze or even break, without delay, our contracts with militaristic dictatorial regimes for the delivery of ammunition and spare parts, for the maintenance and repairs of the combat equipment supplied, and for the training of attendant personnel. Also, we should repudiate any obligations to sell and maintain launchers and ground-to-ground missiles.

The statements made of late by Russia's leaders and the agreements reached to that effect with the United States are most hopeful. The last-year Paris meeting of representatives of five permanent Security Council member states is a step in the right direction. There is reason to believe that the Yeltsin-Bush summit will be followed by more concrete steps. Federal Chancellor Franz Vranitzky of Austria came up with an interesting proposal recently: he suggested that the Western industrialized states should purchase large consignments of arms from the CIS with a view to their subsequent conversion to civilian needs. This would kill two birds with one stone: prevent the weapons from getting to explosive regions and earn the much needed hard currency for the former Soviet republics.

Vadim Makarevsky,
Major General (Ret.),
Cand. Sc. (Military), a member
of the Generals for
Peace and Disarmament group

Submarines for Teheran

Contrary to official denials, Russia has, after all, sold three submarines to Iran under the agreement on technical cooperation in the military sphere signed by Moscow and Teheran in December 1989, according to *New Times'* reliable sources of information. The deal was made by Russia's Ministry of Foreign Economic Relations (MFER). It was worth six billion dollars which Iran paid out immediately. The agreement provides for the delivery to Iran of not only submarines but also the MIG-27 planes, the T-72 tanks, air defence systems and other items of modern Soviet-made combat equipment.

The modern diesel-powered submarines sold to Iran are KILO-class (NATO classification). Right off the production line the submarines were incorporated into the Baltic Fleet. In its Riga base, Russian instructors trained Iranian crews which then transferred the submarines from the Baltic Sea to the Persian Gulf under the supervision of Russia's Navy.

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HOW TO MAKE THE UN MORE EFFECTIVE

Would Iraq invade Kuwait if they were on the Moon? I am sure it wouldn't. And not only because the Moon has no oil deposits so much desired by the Baghdad dictator. This would not happen simply because in 1971 Iraq and other UN members gave unanimous approval of Moscow's draft treaty, under which all states agreed to refrain from the use or the threat of force on the Moon and pledged to do their utmost for protecting the life and health of man on the Moon. During the last 21 years, this treaty has not been violated by anyone.

If only the United Nations could ensure so effectively the security of man on the Earth. Unfortunately, the "earthly" activity of the United Nations is full of paradoxes. Conceived by the victor powers as the headquarters of a collective security system, it has been unable to tackle this main task over the past 40-odd years. Founded as an organization of constant cooperation between peace-loving nations, it has, in fact, been one of the principal arenas of an ideological confrontation. The bureaucratic apparatus of the United Nations grew in inverse proportion to the efficiency of its activity. As the need for reforms became more evident, opposition to attempts to implement them increased too.

A "world government" as the guarantor of international security and the "world manager"

Raising the UN's efficiency

It would be wrong to say that the UN machinery has always been operating to no purpose. When the interests of the two superpowers coincided or at least did not contradict each other, the UN acted rather effectively. It played a great part in decolonization, mediated a settlement of many local conflicts, drew up important standards of international law, and helped the idea of the priority of human rights become firmly established in the world community. However, during the cold war the organization stood aside from major international conflicts and played a secondary part as an instrument of collective security. States preferred to ensure their security by forming regional military-political blocs.

Various measures were suggested to the United Nations, some of them very unusual, to make it more effective. At the founding conference, in San Francisco in 1945, South Africa's chief delegate Field Marshal Smuts said that states, like people, should fear God and heed his will in adopting decisions. He proposed that this idea should be reflected in the UN Charter. The Americans evidently decided that this provision of the Charter would have little effect on godless Communists, and proposed another variant – limiting the veto right, leaving it only to the Security Council permanent members not directly involved in a given conflict. This would mean turning the Security Council into a body capable of imposing the will of the majority of great powers on the minority, that is, a sort of a "world government." The Soviet Union, which had the chance of remaining in the minority more often than others, came out against the idea of an international authority.

The United Nations: has *perestroika* hit?

With the world divided into two blocs, the effectiveness of the United Nations was always less than its potential, and the idea of an international authority was therefore put on the agenda several more times. Dag Hammarskjold, who held the top post in the United Nations between 1953 and 1961 and was greatly disliked by Moscow, tried to enhance the powers of the organization and its secretary-general in making political decisions and forming "peace forces." In 1965, at the 20th anniversary session of the General Assembly, the US delegate again came out with the idea of strengthening the role of the United Nations. However, he was not backed by the Soviet Union and Secretary-General U Thant.

In the last 30 years, the idea of turning the United Nations from a mediator into a body of international authority was virtually buried. In the early 1960s, the Western countries lost their majority in the organization, while the socialist and developing countries regarded the idea as an expression of the West's great-power designs. As a result of the joint stand taken by socialist and developing

"Blue helmets" in Cambodia. A symbol of hope for stability? *Photo from Time (USA)*

countries in the United Nations, the West formed its own organizations of international cooperation. This led to a greater division in the world community and diminished the authority of the United Nations. Open disrespect was at times shown for this organization. For instance, on the day of the 25th anniversary of the United Nations in 1970, the US Government virtually thwarted the reception given by the secretary-general by inviting the heads of delegations to a reception in the White House.

Guarantor and "manager"

In the 1970s, the question of enhancing the role of the United Nations was raised again. True, emphasis was laid not so much on the provision of security as on the coordination of the social and economic activities of states. New global problems (energy, raw materials and the ecology) arose at that time and the importance of ties between the economies of various countries increased. A purely national economic policy yielded little effect and the solution of global problems by the efforts of one country became impossible. It was necessary to set up coordinating bodies. However, the structure of the international organization was not suitable for the tackling of these problems. About 100 agencies and committees deal with them, and their functions often overlap.

At the 40th session of the General Assembly in 1985, Secretary-General Perez du Cuellar again put forward the concept of an international authority. The United Nations will be unable to fulfil its two main functions – the guarantor of international security and "world manager" – without being invested with some features of a "world government."

The possibility of realizing the idea of an international authority opened up for the first time in the early 1990s, when the confrontation between blocs and the ideological struggle disappeared from the historical scene together with "real socialism." The operation in the Persian Gulf was virtually the first step in putting this idea into practical effect. At their annual meeting last summer, the seven major industrial nations of the West declared for the first time their desire to use the United Nations as the main instrument for achieving collective security and solving global problems.

The results of the Security Council meeting on January 31 indicate that the idea of an international authority is likely to materialize. The most difficult thing now is to determine who will exercise this authority and how its mechanism will operate in practice.

In the socio-economic field, the reform plans have been drawn up thoroughly, and there are few contradictions in this respect. The authors of various plans for reorganizing the United Nations are in favour of increasing the role of the Economic and Social Council (ECOSOC). This can be done by enlarging its composition and setting up a working body – a council of economic security or a ministerial council composed of top representatives from major industrial states (not more than 25). This body could coordinate the social and economic development policy of countries, as well as policies touching on trade, finances, environmental protection, population, migration and agriculture.

The reforming of the political mechanism of collective security is a more complex matter. The present mechanism was devised in 1945 and reflects the alignment of forces of that time. It does not take into account the increased influence of the vanquished countries, first of all Germany and Japan, and qualitative changes in the entire system of international relations over the past decades.

Are there solid grounds now, as in 1945, to place a special responsibility for the maintenance of peace on five great powers? What is their status as "great powers" based on? Today nuclear weapons are also possessed by other UN members (Ukraine, Belarus and Kazakhstan, which was recently admitted to the organization together with other former Soviet republics). The "great" are no longer the most influential economic powers. Germany and Japan pay a larger contribution to the UN budget, compared with, say, France and Britain.

Two ways

Changes in the political mechanism of the United Nations can be effected in two ways – by or without amending the Charter. In the first case, the Security Council can be enlarged by including in it Germany and Japan as permanent members. It is proposed in the European Community that the British and French seats in the Security Council should be reduced to one "European" seat to be occupied by the EC. Lastly, there are proposals for granting permanent seats in the Security Council, but without the veto right, to Japan and such large developing countries as India, Nigeria and Brazil.

Changes in the Charter are opposed by permanent members of the Security Council. Their arguments are rather cogent too. The Persian Gulf crisis showed that, with the confrontation between the two superpowers abolished, the existing mechanism of collective security has worked at last, and therefore there is no need to change it, for only harm can be done. In the opinion of great powers the Charter contains other possibilities for taking the new alignment of forces into account. For instance, the Military Staff Committee can be brought into action. It is possible to invest the committee with additional powers and enlist in its work influental countries which are not permanent members of the Security Council.

Reforms in the UN bodies responsible for security envisage changes in their structure and the content of their activity. Today peace can be endangered by international as well as internal conflicts. An "internal" problem can lead to ecological problems for neighbours, and the danger of drawing

neighbouring states into a conflict arises sometimes. The refugee problem also creates difficulties not only within a given country.

Russia in a renewed UN

The renewed security bodies should follow the unfolding of the situations in the most explosive regions of the world, as well as forecast conflicts and avert them, even by means of force. For this purpose it is necessary to form a sort of UN "police corps" prepared for rapid action when "preventive diplomacy" brings no result.

The proposed changes have a good chance of success not only because of a radical change in the foreign policy of former socialist countries. In January the seats of Cuba and Yemen in the Security Council were taken by Venezuela and Japan. Thus, the number of countries who are members of the non-aligned movement dropped from seven to six. Since nine votes are necessary for adopting a decision by the Security Council, the non-aligned nations can no longer block draft resolutions by voting jointly.

The speech of Russian President Yeltsin at the late January meeting of the Security Council was heard with special attention. The future of reforms in the United Nations depends to a large extent on the position of Russia. Many were anxious to know how Russia will treat the idea of an international authority. Will it inherit, together with the seat, the traditionally negative attitude to this idea on the part of the Soviet Union? Will it adopt a neutral, wait-and-see stand or support the idea?

Yeltsin's speech showed that Russia actively favours a stronger role of the United Nations. This stand accords most fully with the interests of our country. The positions of Russia in the world community, compared with those of the Soviet Union, have weakened. It is weaker politically and has a smaller territory and more modest economic potential. Cuts in the armed forces and disarmament lower the military might of Russia. The collapse of communist ideology and the lack of ability to render financial aid to developing countries are diminishing Russia's influence in the Third World.

The weakening of Russia's positions in the world naturally lowers its influence in the United Nations. Besides, Russia will hardly be able to pay the Soviet Union's contribution to this organization. After a redistribution of functions between deputies of the secretary-general, it lost the post of deputy secretary-general for Security Council affairs. This will apparently reduce Russia's influence in the UN machinery.

The veto right in the Security Council inherited by Russia from the Soviet Union remains one of the real levers of influence. However, other real bodies of authority can appear in the United Nations after a reform. Besides, the veto right is a passive instrument. How can the possible decline of Russia's influence in the UN be counteracted in conditions of the growing influence of the organization? One of the ways out is to compensate for the lack of means by energetic activity. The forceful statement of Boris Yeltsin at the Security Council meeting late in January is a good beginning.

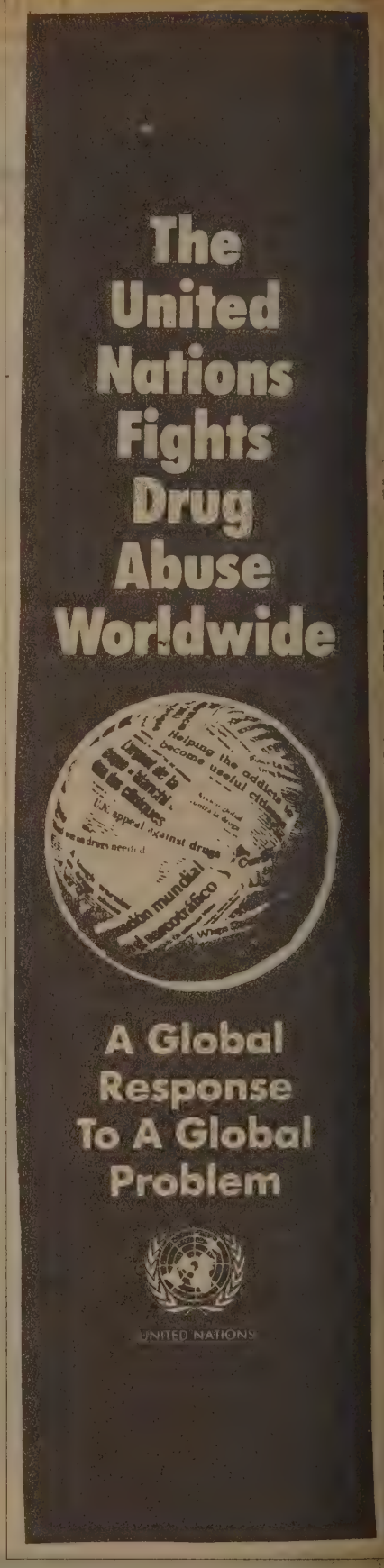
The Russian President proposed creating a rapid response mechanism which can be used by the Security Council in regions where peace and stability are endangered. This proposal shows that Russia favours the most radical reform of the United Nations. Such a position meets the national interests of the country. True, it can complicate Russia's relations with developing nations but will certainly lead to its rapprochement with the West. Besides, a rapid response force can be used for peace-keeping operations in the event of an extreme breakdown in the situation of the former USSR. Of all the former Union republics only Russia has the right to veto. Therefore, the authority of a "world government" can never be used against Russia's national interests. On the contrary, it will strengthen Russia's position with regard to the other members of the Commonwealth of Independent States.

The closer attention to be paid by the UN to internal conflicts and the setting up of a mechanism to prevent and settle such conflicts is also in the interests of Russia. In view of a great likelihood for the aggravation of territorial disputes in the former USSR, Russia is going to benefit from the possible strengthening of the role of the International Court of Justice, at the Hague, as a result of the reform.

The formation of bodies that would keep watch over global economic and social processes and draw up recommendations for governments in this sphere can make easier the painful process of Russia's integration into the world economy.

All this suggests the conclusion that the realization of the idea of an international authority, advanced at the outset of the United Nations, can today enhance the prestige of this organization as never before and help bring about a renewal of Russia.

Dmitry Fadeyev



THE INSIDE STORY OF THE INVASION

Many articles and books have been written about the "Prague spring" of 1968. However, some events of that time remain unknown to this day. I hope that my recollections will help historians to fill in blanks concerning the attempt of Czechoslovak reformers to build "socialism with a human face."

Interpreters see a lot

True, in 1968 I was not directly involved in Soviet-Czechoslovak relations. But as a member of the staff of the Party's Central Committee I was often present, in the capacity of an interpreter, at bilateral and multilateral meetings devoted to the situation in Czechoslovakia. Just as many of my colleagues, I saw that the Party leaders took an increasingly more cautious and biassed attitude to news from Prague. Brezhnev and his associates flatly dismissed the idea of reforming socialism. Many developments were viewed from the standpoint of confrontation between the two blocs. The advisers of the Party's General Secretary feared that the events in Czechoslovakia would upset the balance of forces in Europe, weaken the Warsaw Treaty, already beset by Ceaucescu's nationalism, and set a bad example for other countries of the community.

At first, Brezhnev and the Warsaw Treaty allies hoped to bring the Czechoslovak leadership to reason by political means. Moscow reacted favourably to the news that Alexander Dubcek was elected First Secretary of the Czechoslovak Communist Party. "He is a provincial, but his attitude to the Soviet Union is friendly. He lived in our country and speaks Russian fluently," officials of the Party's Central Committee said.

However, the course of reforms in Czechoslovakia, the splitting of forces within the Communist Party, the granting of freedom to the press, attacks on the USSR, and criticism of the Warsaw Treaty increasingly alarmed the guardians of socialism. A stream of disquieting information flowed to Moscow from Prague, Warsaw and Berlin.

A meeting at Cierna nad Tisou

A meeting at Cierna nad Tisou was the Kremlin's last attempt to settle the dispute by political means. As events developed further the Soviet leaders wondered more and more whether they could count on Dubcek in general and whether the well-known Russian scheme, "A kind Tsar, but bad boyars," was applicable to him. Hopes for the obedience of the Czechoslovak Communist Party leader were not justified. The opinion prevailed that Dubcek was not a strong leader in general, that he wavered and often acted under the influence of Smrkovsky and Kriegel. Attempts were made to neutralize and dismiss these politicians as well as Cisar, Pelikan and the minister of the interior Pavel. By that time stable contacts had been established with the minority in the Presidium of the Czechoslovak Communist Party's Central Committee, first of all with Vasil Bilak. Brezhnev was directly informed of contacts with Bilak and other "healthy forces." On his behalf recommendations were passed on to main figures in the Czechoslovak leadership.

Soviet tanks in Prague

How the Politburo prepared an armed operation against Czechoslovakia in 1968. Reminiscences by a former official of the Party's Central Committee

A great amount of material on all aspects of relations with Czechoslovakia had been prepared for the meeting in Cierna nad Tissou. On the whole, the Kremlin tried to bind Dubcek into abiding by certain limits and retain the Party's guiding role and control over the media.

The position was determined by Brezhnev and his associates. However, the leadership of the Soviet Communist Party was not monolithic. This also concerned the Soviet embassy in Prague. There were "hawks" and moderates there.

Premier Alexei Kosygin knew the situation well. During preparations for a meeting in Cierna nad Tissou Kosigin, as a far-sighted man, stressed the need for taking international standards into fuller account. President Nikolai Podgorny and the Ukrainian Communist Party first secretary Pyotr

Brezhnev, Shelest, Kosygin, Shelepin... In spite of differences in their views they jointly directed the invasion

Shelest were in my opinion the most irreconcilable. Suslov acted in his dogmatic role, emphasizing the negative ideological consequences of the reforms in Czechoslovakia.

Brezhnev's position at the Cierna meeting was not absolutely rigid. He was afraid that Czechoslovakia's departure from the socialist community would mean the end of his own political career. Brezhnev even noted once that his party fellows would not forgive him if the right-wing opportunist forces prevailed in Czechoslovakia. The point is that in the Communist Party of the Soviet Union general secretaries were always in charge of relations with socialist countries.

It is from this standpoint that the experience of crushing the revolt in Hungary in 1956 was studied. Appropriate talks were conducted with Hungarian leaders. Janos Kadar said that parallels could only be relative. Times changed and the Hungarians are more temperamental. I think that Andropov, who was strongly influenced by the Hungarian "syndrome," also insisted on using the methods applied in Hungary in 1956. I remember how he compared Hungary with a fine Arabic mare – you admire her while she can knock out your teeth.

By 1968 Brezhnev had gained strong positions and acquired a taste for power. However, even he had to be watchful in regard of some of his colleagues. We, staff members of the Party's international department, learned that instructions had been given from above to keep under seveillance the statements of Politburo members Gennady Voronov, premier of the Russian Federation, and Alexander Shelepin, chairman of the Central Council of Soviet Trade Unions. In particular, Shelepin thought that workers had to be armed instead of sending troops to Czechoslovakia.

The meeting in Cierna was soon followed by a meeting of leaders of five parties in Bratislava on August 3, 1968. It seemed that the tension somewhat reduced and a certain compromise was reached. However, neither the Soviet leadership nor Ulbricht and Gomulka, the most active critics of the "Prague spring," believed in the ability and desire of Dubcek and his supporters to "normalize" the situation in Czechoslovakia. Brezhnev became increasingly resolute. After the Bratislava meeting he flew to the Crimea for a holiday.

The experience of ruling by telephone

While in Yalta Brezhnev often spoke over the hot-phone with the Soviet ambassador in Prague and with leaders of socialist countries. Brezhnev, Podgorny and Kosygin secretly met there with Kadar, who still thought that political means had not yet been exhausted. Kadar was again asked to talk with Dubcek.

On August 8 an important report came from the Soviet embassy in Prague. It was obviously a reply to the inquiry from Moscow. The report said that, though the party and government leaders of Czechoslovakia pledged to fight against the right-wing and anti-socialist forces while Dubcek confirmed his intention to renew the composition of the Central Committee and top leadership considerably, there was no full confidence that he would do that.

On August 9 Brezhnev phoned Dubcek, and the conversation lasted for an hour and twenty minutes. The Soviet leader asked pointedly why the agreements reached with Czechoslovak leaders and the promised personnel changes were not carried out, and why the Social Democratic organizations were not banned. He did not simply remind Dubcek of the agreements but also intimidated him by saying that "anxiety was brewing in Moscow." He tried to persuade Dubcek to rely on the "healthy forces."

One more step was taken on August 13. The Politburo of the Soviet Communist Party sent a message to Prague regarding the unfriendly statements in the Czechoslovak press, which disrupted the agreements reached in Cierna nad Tisou. The Soviet leadership also appealed to President Svoboda. Work with the "old soldier" was conducted simultaneously.

On August 13 Brezhnev had perhaps the decisive conversation with Dubcek over the telephone. The Soviet leader put questions methodically, as if he drove nails: "Alexander (Dubcek), will you fulfil the pledges taken in Cierna nad Tisou? Will you make personnel changes? Why are you also deceiving us on this question?"

Dubcek avoided a direct answer, saying that personnel matters are decided collectively and will be considered at a forthcoming plenum of the Party's Central Committee. He replied with irritation that he did not cling to his post and spoke about difficulties. Brezhnev hurled reproaches at him. He warned that the new situation in Czechoslovakia could impel Moscow to take independent decisions. Dubcek exploded in the end and said in a temper: "Why all these conversations if you, in Moscow, think we are cheating?" The position of the Czechoslovak leadership was recognized in Moscow as unsatisfactory, and the mechanism for a military solution was engaged.

"Military aid to socialist Czechoslovakia"

On August 16 top Soviet leaders met in Moscow to consider the situation in Czechoslovakia. They approved the proposals of the Politburo's commission on Czechoslovakia and adopted a letter to Dubcek as if confirming the main lines of Brezhnev's conversation with him. The meeting also decided that Moscow's position should be made known to "loyal friends" – Bilak, Kolder, Indra, Kapek, Rigo, Barbirek, Piller and Svestka.

The Kremlin concluded that the Communist Party of the Soviet Union and other fraternal parties had exhausted all political means of influencing the leadership of the Czechoslovak Communist Party. The time came to take active measures for the defence of socialism in Czechoslovakia and "give the Communist Party and people of Czechoslovakia aid and support with armed forces." It was stressed that a meeting of the first secretaries of the ruling parties of the German Democratic Republic, Bulgaria, Hungary, Poland and the USSR should be convened on August 18. The first sec-

etaries of the republican and regional party committees were invited to Moscow to be familiarized with the situation in Czechoslovakia.

The decision on the situation in Czechoslovakia was dated August 17, and the closed meeting of leaders of the five countries took place on the next day. Without special objections, the allies approved the conclusions and proposals of the Soviet leadership. They "agreed to give the necessary military aid to socialist Czechoslovakia" (though it did not ask for such aid), and approved appropriate measures. They included a statement by "healthy forces" of the Czechoslovak Communist Party.

Brezhnev told the meeting that a statement of Czechoslovak comrades with a plea for aid was to be published soon. The Soviet leader allegedly received this letter in Bratislava, but kept silent about it for considerations of security. He read out the letter, adding that a number of places in it had been edited in Moscow. In the course of further discussions Brezhnev simply said: "Is it worth arguing? Here is a letter and everything is clear in it."

Giving an account of his meeting with Dubcek on August 17, Janos Kadar called it fruitless. Dubcek was confused, he said, and Prague was retreating from what had been achieved in Bratislava. In view of this Kadar said "there is nothing more we can do except what we are faced with." Trying to justify himself, he would say later: "I could not remain alone. It was necessary to save the reform in Hungary." Brezhnev told Kadar: "Janos, I would ask you to agree to our request, send at least one division. You will get from us everything you want." (Brezhnev had in mind oil, credits, and so on.) Todor Zhivkov also had some doubts, but he also supported the action.

Wladyslaw Gomulka said it would be good to publish, especially in the West, letters by Czechoslovak politicians asking the Warsaw Treaty for aid. He suggested that, to make these letters more convincing, they should be signed by not less than 50 persons.

In a letter to President Svoboda, sent on behalf of the Moscow meeting, the request for armed aid to the Czechoslovak people was mentioned as one of the main arguments for interference. It was alleged that such a request had been received from "most" members of the Presidium of the Czechoslovak Communist Party and many members of the Czechoslovak government.

It was a big lie. There was a request indeed. However, it came not from "the majority" but a small group of politicians. They represented the position which suited Moscow or, more exactly, they hoped that it would be possible to change the Party's policy with Moscow's assistance. Some of them sincerely believed that they were saving the country. Others pursued their own aims.

On August 17 the Moscow-drafted "Appeal to the Czechoslovak people" and other documents were sent to a group of "healthy forces." The idea was to form a revolutionary government of workers and peasants. To forestall the negative reaction of world opinion, a day before the invasion Moscow warned the Soviet ambassadors about a possible action against Czechoslovakia in response to an appeal from a group of Czechoslovak politicians.

The plan of the operation was set out by Brezhnev at a meeting in Moscow on August 18. The troops had to capture the most important points in Prague. They were ordered not to lose time for detaining those who would flee to the West. Arrests were to be made by state security bodies of Czechoslovakia. It was planned that the Party's Central Committee and the National Assembly (parliament) would meet on August 21 and replace the top leadership. The five Warsaw Treaty states were concerned with how to carry out the operation as quickly as possible and without hindrances, the more so that, as Brezhnev said, defence minister Grechko predicted a stubborn resistance.

Political fizzle

The operation began on the night of August 20. It is said that in the early morning of August 21 the supreme commander-in-chief of the armed forces of the USSR was at the command post, not in the Party's Central Committee office. Hence, allegedly, came his penchant for the rank of marshal.

The military operation was completed rather smoothly. However, all political plans went awry. On August 22 Moscow informed Ulbricht, Gomulka, Kadar and Zhivkov that the plans of the "initiative group" in the Czechoslovak leadership could not be realized. First of all, the "ordered" 50 signatures under the appeal could not be collected. The group pinned its hopes on Lubomir Strougal, who carried authority with the public, but he refused to sign the appeal. Altogether, 18 signatures were collected.

The 18 "comrades" did not want their names to be published. That is why the Soviet news agency TASS mentioned in its statement an anonymous group of prominent Czechs and Slovaks.

This story had an almost tragicomic outcome. In 1978 the fraternal parties again "helped" the Czechoslovak Communist Party – this time to repulse the capitalist press attacks in connection with the tenth anniversary of the August 1968 events. Vasil Bilak, the second man in the Party, wanted to devise something more effective. One of the Soviet comrades asked him: "Wouldn't it be a good idea to publish the names of those who invited troops?" No reply followed, and our comrade feared for a long time that a "compromising" letter about his question would come from Prague.

The situation became mainly complicated at a meeting of the Party's Presidium on the night of August 20, when the news came that the troops of five countries had entered Czechoslovakia. The majority (seven against four) voted for a statement denouncing the invasion. It was calculated, however, that the "healthy forces" would have a majority (six against five).

The plans of convening the National Assembly and establishing control over the radio and television also failed. The radio and television had to be captured by Soviet troops.

With the help of Czechoslovak security service led by Salgovic Soviet troops arrested Dubcek, Smrkovsky, Cernik, Kriegel, Simon and Spacek. Cisar was arrested too, but then was released on the advice of "friends." The attempts of "healthy forces" to hold consultations with some members of the Party's Central Committee proved fruitless at the time. The 14th Congress of the Czechoslovak Communist Party opened at the CKD works in Prague.

Time passed and there arose the question of what to do with the lawfully elected leadership of the Party and the country. To save the country from a fierce conflict with the powerful but unreasonable neighbour, President Svoboda found a compromise to such circumstances. Soviet-Czechoslovak talks were urgentgly held in Moscow.

Subsequent events are well known. Half a year later Dubcek was replaced by Husak. The "masterpiece" entitled *Lessons from the Crisis* was brought out. In the course of purges half a million members of the Czechoslovak Communist Party were removed from public life.

In spite of Brezhnev's assurances that Soviet troops would leave Czechoslovakia as soon as the situation returned to normal, they stayed there for many years.

The strangling of the "Prague spring" had many grave consequences for the Soviet Union. The "victory" achieved in 1968 killed many reforms and strengthened the positions of the dogmatic forces which pushed the country into the stagnant quagmire.

Valery Musatov

KIPLING'S ALLUSIONS

An admirer of classical literature, the artist PAVEL BUNIN holds Shakespeare, Walter Scott and Kipling in particularly high esteem. This partiality probably comes from a profound knowledge of these greats' home country. It is no wonder that Kipling, who had amazingly combined a sense of history with poetry, induced Bunin to illustrate his works and to translate them into Russian.

All we have of freedom, all we use or know –
This our fathers bought for us long and long ago.
("The Old Issue")

In post- (and, incidentally, pre-1917 Russia) Kipling was branded as "a bard of imperialism." This categorical verdict was due to the simple fact that a full Russian translation of Kipling's heritage is still to come, and that Russian men of letters often didn't know enough English to do him justice; it was only Ivan Bunin, the author of a brilliant translation of *The Song of Haiwatha,* who referred to Kipling as a poet of genius. Most of the others, including a talented writer Kuprin, contented themselves with Paustovsky's truism: "Kipling squeezed his talent into a broadsword sheath."

It's an old story. One sees what one wants to see, and has no time to spare on taking a closer look.

Let us cast clichés aside. There are empires and empires. There have been Aztec and Inca empires with their daily human sacrifices. Within living memory, Russia and its allies in the anti-Hitler coalition have crushed the empire, beside Auschwitzes of which the blood-stained altars of Cuzco and Tenochtitlán pale. It does not pay to use two colours only. The colour scheme of life is much richer than that. The Viceroy of India was the first to send a message of congratulations to the newly-formed Indian National Congress which goes to show that the British Empire differed in principle from the Third Reich or from the "empire of lies" which is falling apart under our very eyes.

The famous Russian singer Chaliapin, with his characteristic power of observation, felt the difference from the start. As he reminisced about his evacuation from Belgium in 1914 on a British captain's invitation, he noted the following detail. The captain announced through a speaking trumpet: "Subjects of the British Empire first!" The great singer admired the sight of people of all skin colours leading the procession up the gangway. "That's how every state should treat its citizens!" Chaliapin exclaimed in recollecting the scene.

Born in India, the poet, whose first language was Hindi – a "native-born," as he called himself and the likes of him – could not but appreciate this approach.

To our dear dark foster-mothers,
To the heathen songs they sung –
To the heathen speech we babbled,
Ere we came to the white man's tongue.

("The Native-Born")

I wonder how anyone could mistake the language of love for the rattling of a broadsword in its sheath.

Indeed, the native of Bombay valued the Empire and took pride in it as a community which, for all its shortcomings, offered its subjects a reliable enough minimum of personal guarantees and displayed an amazing aptitude for compromise cultivated through the ages.

As John Ruskin put it, the soul may be put to sleep by "life's fumes," so blessed be he who shouts: "Wake up, you sleepyheads!" This is exactly what art does, although it often sets itself quite different aims...

Kipling confirmed this law by his life. He honestly served his Empire, loved Britain with all his heart, and had, perhaps, a greater affection for India than he imagined. So far so good. But why, then, are his books read and reread not only by carefree children, not only by Englishmen, Hindoos and other members of the Commonwealth, but by any more or less educated and adult person? Because true art can never be alien to anyone and is, in Oscar Wilde's words, always contemporary, always of this century, be it a Greek sculpture or a Velásquez painting.

After all, Kipling, like any outstanding author, speaks of the same eternal feelings (even though wrapped in national colours, but not necessarily so), of the vanity of creative work and achievement, of his awareness of the eternal illusion of life:

Ah, fools were we and blind –
The worst we stored with utter toil,
The best we left behind!

While admiring soldierly courage, he fully realized the inadequacy of rewards for it:

O thirty million English that babble of England's might,
Behold there are twenty heroes who lack their food to-night...

He was humbly aware of the eternity of "the same old Life, the same old Death."

And, the main thing, he knew that no artist could convey the whole complexity and the whole beauty of the Universe.

"Good work has nothing to do with the person who does it... All we can do is to learn how to do our work, to be the masters of our materials instead of servants... Everything else comes from outside ourselves... But the instant we begin to think about success of our work... we lose power and touch and everything else."

(The Light that Failed)

Kipling returned to this thought now and again:

'There is none like to me!' says the Cub in the pride of his earliest kill;
But the Jungle is large, and the Cub he is small. Let him think and be still.

It takes a great creative mind to think and feel like that. Leonardo da Vinci had also remarked that admiration of one's own work was the most unmistakable sign of mediocrity. The great Italian said that an undoubting artist would never achieve much. Look at Pushkin's and Tolstoi's manuscripts, bearing the traces of their endless creative quests! They say that Kipling edited the proofs over and over again, up to five times. Ruskin, already mentioned above, said that a craftsman's work is always a product of "great force," not of an effort. He does make efforts, of course, but polishes his work to such a degree as to make these efforts imperceptible. The waste paper basket in Sussex was always full.

Men of genius abound, but here is what another great poet, T.S. Eliot, said about Kipling: "Kipling knew something of the things which are underneath, and of the things which are beyond the frontier." Elsewhere in his brilliant essay, Eliot expressed himself in still more definite terms: "There is always something alien about Kipling, as of a visitor from another planet... Prof. R.G. Collingwood takes Kipling as an example of 'the artist as a magician.'"

Indeed, isn't inexpressible magic present in the following lines:

For I have dreamed of a midnight sky and a midnight call to blood
And red-mouthed shadows racing by, that thrust me from my food.
'Tis an hour yet and an hour yet to the rising of the moon...

These, almost shamanic, incantations simply could not have been written by a European, but they were written, and as we read on we are swept by a flood of intoxicating smells, rustlings and sounds of Nature:

'Tis a league and a league to the Lend Falls where the crop and the upland meet,
But I can smell the wet dawn-wind that wakes the sprouting wheat."

Whence all this magic? To quote Pushkin, *"Any talent is inexplicable."*

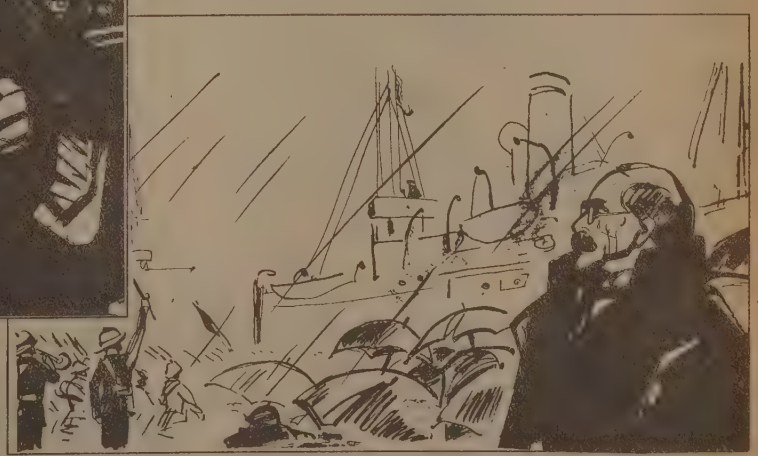
("Egyptian Nights")

So let us not try and define genius: "To define is to limit," Lord Henry utters in *The Picture of Dorian Gray*. Nevertheless, in Shakespeare's word, "Let me show you him," let us touch upon some of its dimensions. Goethe claimed that his basic ideas had emerged when he was a mere child, and that he had simply realized them in the years that followed. Korney Chukovsky often told me that the first six years might often decide the rest of one's life. If we take this as true, many things become clear in the case of Kipling: he had spent the first six years of his life in India, and his "imperialism" was not complicated by racism. It was not for nothing that in his *Puck of Pook's Hill* he pictured a Roman centurion who civilized the Picts (England's aborigenes) and protected them against Viking barbarians.

The brilliant *Kim* is a novel about India, above all, and its two main characters are not English at all. "His maturest work on India," Eliot said, "and his greatest book." As far as I know, Indian critics share this view (see, for example, Nirad C. Chaudhuri: "We Indians shall never cease to be grateful to Kipling."

For lack of magazine space I cannot dwell on that amaz-

Merchantman



"Birds of prey" March

ing novel in detail. Another quotation from T.S Eliot: "He might almost be called the first citizen of India."

Well put, but the "almost" is very much in place here: after all, there was also Gandhiji...

It only remains to mention the prophetic aspect of Kipling's heritage. Born in the 1860s, when Victorianism was in its prime, Kipling was among the first to feel that invisible but threatening clouds were gathering over the world where Dizzy and Gladstone had more or less peaceful altercations with each other... The poet, with his amazing sensitivity, felt that

"The earth is full of anger, the seas are dark with wrath."

In The Dykes, we read about the imminent approach of the "work of the seas" and that "Peace is gone and the profit is gone," that "the Nations in their harness Go up against our path" "Hymn before action".

Long before the world massacre, the Anglo-Indian sensed the danger of another monster, **totalitarianism**, coming. In 1899, his "Old Issue" came out. Here are a few ecerpts from it. About a future dictator:

He shall mark our goings, question whence we came,
Set his guards about us, as in Freedom's name...
Cruel in the shadow, crafty in the sun,
Far beyond his borders shall his teachings run...
Long-forgotten bondage, dwarfing heart and brain –
All our fathers died to loose he shall bind again.

A pretty detailed picture, isn't it? Kipling foresaw the results of the demagogical fetishization of the masses:

For Holy People, however it runs,
Endeth in wholly Slave.

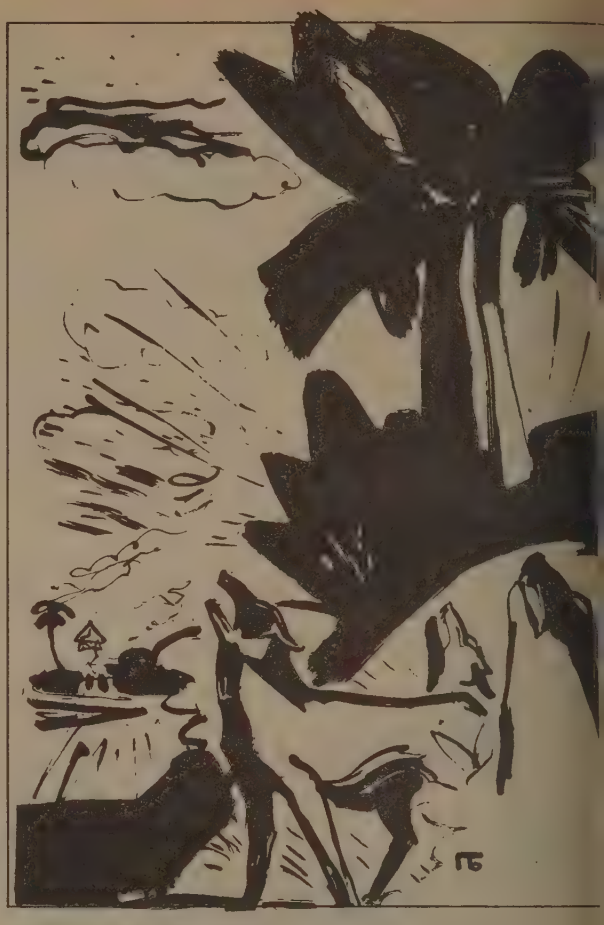
"Macdonough's Song"

Kipling portrayed a demagogue, "a servant when he reigneth." The expression he borrowed form Solomon's parables – Kipling felt perfectly at home in the world of Biblical images and vocabulary – appears in the heading of a poem about this repulsive personage:

His vows are lightly spoken,
His faith is hard to bind,
His trust is easy broken,
He fears his fellow-kind.
The nearest mob will move him
To break the pledge he gave–
– Oh, a Servant when He Reigneth
Is more than ever slave!

Instead of finishing on that rather sinister note, I shall quote the concluding lines of the splendid "Recessional," written on the occasion Queen Victoria's Silver Jubilee:

For frantic boast and foolish word–
Thy mercy on Thy People, Lord!



Morning Song in the Jungle

PS I have not mentioned the amazing aptitude of the writer who was "technically British, but essentially Indian" for creating in his books live three-dimensional creatures, no two of them speaking and acting alike. We keep lifetime memories of the meek Lama, of Haurree Mookerjee who is fearless and cowardly, charismatic and ruthless at one and the same time; of slow-witted but not altogether brutal northern pirates and... of Talleyrand playing cards with his left hand against his right. Even each of his quadrupeds speaks a language of its own. Kipling's humour, very restrained but almost omnipresent, merits a special mention. Here is one example: "I – we – love him (Mowgli), Kaa," Balw tells the Python. "Tss! Tss!" says Kaa, shaking his head to and fro. "I also have known what love is..."

Considering that the remark comes from a reptile 30 feet long, the effect is humorous indeed... Examples and quotations like that abound; here is one more, to conclude:

We needn't tell
we liked you well.
Good-bye – good luck to you!

Pavel Bunin

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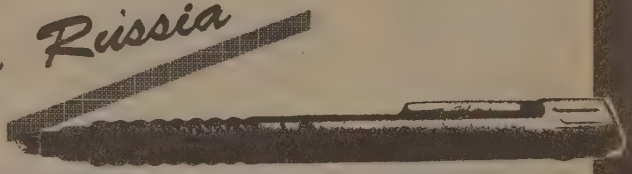

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THE RUSSIAN PRESS SERVICE —
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Vladimir Krainev felt rather embarrassed when he had a call from Kharkov informing him that an international youth competition in his name is to be organized there. But, having remembered the precedent – competitions held under the patronage of Van Cliburn – he found the idea very alluring.

In addition to his name, the 47-year-old pianist formed a jury, with himself as chairman, and offered two 10,000-ruble prizes on top of the official 3,000-ruble ones. However, Vladimir continues to believe that musical competitions are an anti-professional occupation. "Unfortunately, the world has not devised another way to perform in large concert halls," he complains.

Krainev covered the same path. By the age of 26 he was a winner of two competitions held in other countries, gave many concerts and did not think of competing any longer. The Fourth International Tchaikovsky Competition in 1970 coincided with the centenary of the birth of Lenin. In honour of this anniversay the Culture Department of the Party's Central Committee directed Soviet musicians to win all first prizes. By a personal order of Furtseva, then Minister of Culture, Krainev had to win the gold prize in the piano contest.

The public, which usually learns about secrets of this kind, was prepared to give a hostile reception to Vladimir. But already in the first tour he broke its resistance by proving that even the officially appointed winner can also be a real leader. Since then Krainev has been among the most popular performers in the country.

His home is always full of "children." This is how he calls the pupils of his wife, Tatiana Tarasova, a famous figure-skating choreographer, and his own students. Five years ago Vladimir became a teacher at the Moscow Conservatory. If the organizers of the Kharkov competition looked for not only an eminent musician but also a considerate "godfather," they have found one in Krainev.

* * *

Ivan & Co.Ltd. of Moscow, headed by **Ivan Anisimov,** is the first private company in Russia to publish a foreign currency reference book. Ordered by Vneshekonombank, the quality of the colour printing and the expertism of the data is far superior to a similar book published by Interpol.

Ivan is a graduate of Moscow University where he studied biology. For some time he

NT editor appointed a Russian Foreign Minister's political adviser

All pet names by which she was sometimes addressed in the *New Times* office are no longer appropriate under the protocol, for **Galina Sidorova,** an associate editor of the magazine and its political analyst, has been appointed the Russian Foreign Minister's adviser for political affairs and public relations.

The editorial staff can be proud of this appointment. Though it is a promotion, Galina had a heavy heart: it was hard for her to part with us, and we felt even more wretched. She came to our office 15 years ago as a graduate student of the Moscow State Institute of International Relations. Having passed through all conceivable stages of journalist work, Galina became a leading staff writer and has now risen to a higher stage. But she remains an associate editor of *New Times* and its political analyst.

It might seem that the job of an analyst is rather simple, one of merely reviewing events that have taken place. This is not the case with Galina Sidorova. When the first and disgraceful setback to *perestroika* occurred in Tbilisi she was in the centre of events on the same day, having no time to warn anyone in the office of her departure. In the fateful days of the August coup in Moscow Galina, together with her colleagues, prepared a special issue of *New Times* under the heading "The have staged a coup, but their hands are trembling."

Galina is not a pretentious mentor. She has a penchant for the job of a journalist. She is a courageous and wise woman in spite of her age which can still be mentioned. Her articles, written in an original style, well-reasoned, with emphasis laid in the right places, hardly left readers indifferent. Galina Sidorova has her own "speciality" – the intricate adaptation of our diplomacy to the rapidly changing world, its multiform contact with the diplomacies of other countries. In this respect she was an unsurpassed ace in the *New Times* editorial office and will certainly remain such in the Russian Foreign Ministry.

No wonder that the Foreign Ministers of the *perestroika* years, beginning with Eduard Shevardnadze, considered themselves equal in conversations with *New Times* political analyst Galina Sidorova. Not only her questions but also the erudition, the knowledge of the subject-matter, the ability to make the interviewed persons reflect on things they would not consider under usual circumstances – all this compelled the top officials with whom Sidorova talked to be on their guard and to push themselves. In short, she set the tone in interviewing ministers.

It can be said that the editorial board accepted the "resignation" of its leading political analyst with a heavy and light heart simultaneously. Galina Sidorova will certainly prove useful at the Russian Foreign Ministry. But the magazine has not lost her. She remains its associate editor and political analyst.

We are bursting with pride. Journalism is a breeding ground of statesmen, the great Russian poet Alexander Pushkin said. This truth has been borne out once again.

worked as a researcher. Later, he studied foreign economic operations, accounting and management. His present company employs 400 people.

Now, the company is preparing another reference book which contains information on methods of counterfeiting money and recognizing falsified notes, as well as rules of currency transations in different countries.

Ivan Anisimov, the company's president, believes that such reference guides are now as indispensable for ordinary citizens as they are for businessmen. Not even all bank tellers can tell real notes from counterfeit ones. People are often fooled when exchanging their money. They sometimes get notes that are out of circulation of foreign notes printed by colour copier. The reference book has presently 15,000 copies in print, but the number can be increased, and it can be translated into foreign languages. A supplement to the reference book will be published quarterly, providing information on new notes put into circulation.

The company has also developed new devices to identify counterfeit notes. These devices check the characteristics of reference points, and will be produced by one of the converted defence electronics plants.

Ivan & Co. came into being just 18 months ago. Initially, it published rare books or books never before published in Russia, including Western fiction and crime novels.

Now, the company publishes 20 books per quarter, and is about to begin publication of a 17-volume illustrated series called "Treasures of Russian Museums." The quality of printing will be on par with highest international standards.

* * *

Dmitry Petrov is the General Director of the partnership Pomoshchnik, one of the creators of a new Moscow club Business Partner whic held a presentation on April 11. The club was founded by the Ministry of Economics' Management Institute and the partnership Pomoshchnik.

Club's members will have access to a conference hall and offices where negotiations may be held. The club's computer centre is connected with dozens of exchanges and has direct access to business data banks, from which information on potential partners and market developments may be promptly retrieved. Business Partner is connected to international E-mail and offer facilities to conduct televised conferences.

The club, among other things, offers legal advice and the prompt execution of printing orders ranging from business cards to advertising booklets. The club will have a restaurant and a bar serving international cuisine. Also on the list of services are hotel rooms, apartments at a comfortable spa near Moscow. Initially, membership of the club will be granted by the club's administration. Later, any applicant holding two recommendatory letters will be considered for membership.

The club's presentation was attended by representatives of banking, prominent scientific institutes, design bureaus, major plants and firms. James E.Petzing, head of the US firm William Carugo and Associates, actively involved in the organization of the club, has become the club's first honorary member.

ITC goes joint stock

Vladimir Devyatkin, 55, General Director of the Moscow International Trade Center, holds a degree in economics. Before being appointed ITC general director on January 23, he headed the Urals Chamber of Industry and Commerce. On October 1, 1991, he was elected deputy chairman of the Russian Chamber of Industry and Commerce Presidium.

The Moscow International Trade Centre will be reorganized into a joint-stock company, following an instruction to this effect from the Russian President.

The project is intended to drum up investment to modernize and expand the ITC, says Vladimir Devyatkin. A controlling interest will be held by ITC staff, the Russian CIC and the Moscow mayor's office, which have already invested heavily in the construction and equipment of ITC. But some stock will go to foreign partners. The commission will rely on Russian and foreign experts and auditing firms to evaluate ITC's fixed capital. From January 1, ITC's estimated fixed capital totalled some R150 million. The reorganization should take around three months.

Devyatkin says that by going joint-stock, ITC will be able to solicit the ruble and hard currency funds needed to revamp and expand the Centre. Along with the deregulation project, work is under way on reorganizing the Centre's activity. The quality of services and living conditions for businessmen will be raised to meet world standards. There are plans, for instance, to expand the ITC by building, within the next two to three years, the second part of the complex. But foreign credits will be essential in financing the construction programme. Devyatkin is convinced that investment in the centre, will be extremely profitable for stockholders as the ITC possesses enormous assets and generates an unrivalled hard currency income.

There are also plans to open ITC affiliates in 11 Russian cities. This year, the first ITC overseas branch will be opened in Milan. A similar club is also shortly due to open in the Moscow ITC. This year a direct International satellite telephone communications link will start operating.

WILL THE WEST BECOME OUR CHURCH?

As early as the beginning of this century the Russian Orthodox Church was faced with the problem of reform. The revolution interrupted this process. Instead of innovation there was capitulation to the Communist regime. During the last decades the Russian Church, like the country as a whole, lived through a period of stagnation; today, however, reformist tendencies are revived again. "Dissident" clergy demand revision of a number of canonical doctrinal principles and of the cult and merciless censure in the top echelon of the Church hierarchy. The most widely known among them are Father Gleb Yakunin and Archipriest Alexander Menh, who was brutally killed. This mood is also widespread locally, among parish clergy and in Church communities.

Human rights are really Christianity on a societal scale

As in many a case in the West, in Russia a person's religious faith and religious feelings do not always coincide with Church traditions. This discrepancy is a long-standing one. Such great Russian writers as Dostoyevsky and Tolstoy subjected the Church to merciless criticism for which Leo Tolstoy was even excommunicated. Contemporary Christian politicians (there is a small Christian Democratic Party in Russia) write about corruption, the authoritarian style of Church administration and of the clergy being deprived of all rights in the Russian Orthodox Church.

In the case of Russian clergy the state of being deprived of rights is also rooted in Russian history. Whereas, for instance, in Catholicism the object of reformist criticism is celibacy, or the ban on divorce or abortions, i.e. internal church problems, in Russia the relations between the Church and state power have always been the pivotal issue. The clergy was subject to corporal punishment in Russia up to the 1860s. Under Peter the Great's church reform, the Church was turned into a ministry completely controlled by state power. The clergy was under obligation to report to the government on parishioners' revolutionary convictions disclosed at confession.

Hopes pinned on elders

Nevertheless, the Church retained firm faith among the believers. More than that, even such oppositionally minded writers as Tolstoy and Dostoyevsky saw in Orthodox Christianity (true, not in the Church itself but in faith) the only path to salvation for every person and for the whole of Russia – the great country with a mysterious destiny. Early in this century the Russian revolutionary intelligentsia sought redemption in the so-called "God-building" and "God-seeking," as if they had presentiments of the horrors lurking on the revolutionary path.

One of the reasons for the Russian Orthodox Faith's persistence and influence was that, apart from the official clergy, the Orthodoxy includes a specific institution of non-official intermediaries between God and the believing masses – holy elders, God's fools, miracle men from among the masses themselves, and other marginal figures, occupying the indefinite space between the official Church hierarchy and the people. There are a lot of elements of paganism in the worship of such figures, and the official Church did not, for apparent reasons, approve of its self-styled rivals, although, whenever possible, aptly exploited their influence in its own interests.

These bearers of non-official religious charisma influenced most profoundly political resistance to the totalitarian regime in stagnation times, and up to this day they to a large extent determine the style of political behaviour of people's deputies, leaders of newly created political parties and national movements.

The problem lies in that Russia still lacks professional politicians in the Western sense of the word. "Prophets" and leaders of underground dissidents' political culture still set the example. For all the differences between them, the population saw in Yeltsin and Sakharov not politicians but "redeemers" who are able to assume responsibility for the people's destinies. This is precisely the image of a "fighter for justice," a "teacher of life," a "martyr" which is so deeply rooted in the people's historical and religious consciousness. The terror and violence of the totalitarian power only promoted the fixation of this image as the only one worthy of trust, because its charisma was personal and in no way dependent on whatever hierarchy, including the Church.

A candle to the success of the putsch

Paradoxical relationships are taking shape between politics and the Church: political leaders strive to use the authority of the Church in their own interests. Yeltsin and former premier Pavlov spent Easter night in a church holding candles. However, this didn't prevent Pavlov from subsequently being a leader of the putsch.

There are full grounds to doubt the sincerity of our leaders' demonstrative flirtings with the Church. However, when our political figures try to lean on the Church, they fail to understand that the Church itself has not yet lived through its own *perestroika* after which the Church and faith would cease to be in opposition.

A long time ago capitalism emerged in Western Europe under the influence of the Protestant ethics which had changed the relationship between God, the world and man. In his classical work *The Protestant Ethic and the Spirit of Capitalism* Max Weber calls the latter "an unexpected consequence of the reformist activity." The strategy of Russian reforms has the directly opposite bent – the reformers do their utmost to introduce a market-oriented economic model, i.e. in fact, to build capitalism instead of the promised Communism. The population is once again expected to take on trust the reform policy whose principles lay beyond the borders of the Soviet people's life experience. Practically none of them has ever seen capitalism with his own eyes, having spent his life behind the "iron curtain." So, the market is as a magic formula for him as Communism.

Thus the reformers, like the Communists, exploit a person's ability to **believe** and his or her need for **faith,** with the only difference that God is replaced with market-oriented economy as the shortest path to material well-being. In other words, the reform policy offers the population this form of arranging economic relations as a **social ideal.**

Suppose, society consents to it. It would be quite explicable and even justifiable to some extent, considering that people are being driven to utter poverty. Our society, however, has never been guided by overtly pragmatic ideals in its evolution. In the West, the market is not an ideal but a social mechanism.

Temptation by communism

Perestroika was not the first attempt to reform backward Russia. Numerous efforts were made in the 19th century with a view to overcoming its backwardness, or at least getting rid of the shameful embarrassment of bondage under which some Christians bought and sold other Christians like cattle, remaining "brethren in Christ." The reformers (many of whom were Tsarist ministers of German descent, Count Witte, for instance) wanted to update the country. They tried to create conditions for a more rational economy. But what did the peasants, bought and sold like dogs, want? They didn't know what a rational economy was. They wanted justice, and, as demonstrated by the recent comparative historical studies, their ideas of justice were very close to those shared by Thomas Müntzer's followers, as well as to early Christian ideas of great medieval movements – Albigenses, Cathari and Waldenses.

Thus, there has never been a single instance in Russian history of compatibility between reform projects "from above" and those "from below." They even had no common points. What will be the fate of the present project? Unlike historical precedents of the past when attempts to influence the country's future were made in isolation and without a definite purpose in mind, now a new factor of internal policy has come into being – the outside world. The latter as a factor in internal policy is of extreme importance – it stabilizes transition to a new economic system by means of direct economic aid, it offers samples of structures and relations whose creation is precisely the objective of the country's modernization and, lastly, this world possesses a coherent system of values, badly lacking in post-totalitarian Russian society, the common Christian cultural values which for centuries have been defended in the West not only by the Church, but also by the whole of society together with the system of institutions upholding human rights.

Human rights manifest Cristianity on the level of society. Their counterpart on the level of personality is free will. Essentially, the West fulfils the functions of the Church in Russian society. Such a role by the West is impossible in the Arab world, China or Israel. It's possible in Russia only because this is a Christian country. In spite of all the differences in historic destinies, its people's ideas of good and evil, of social and private life, of what is man and his predestination basically coincide with Western ideas to this effect. Russia is so traumatized by its separation and isolation from the West, because typologically both belong to one Christian civilization. Yet, unlike the West, Orthodox Cristianity has not lived through Renaissance, Reformation, Enlightenment and the culture of Modern. Instead, it has had the experience of temptation by communism, and this absolutely negative experience will, unfortunately, be an important one for the world for a long time yet, as the experience of the Renaissance, Reformation and Enlightenment have been important to it.

We look into the remote future and try to see there a free and rich Russia. However, no one would like to remember that at present the country is inhabited by people who have assimilated from their childhood that one should abide by the principle "Steal what has been stolen," rejecting the commandment "Thou shalt not steal," that the precept "Thou shalt do no murder" was replaced with the injunction to exterminate one's class enemies and instead of respecting one's father one must report him to the KGB. These are precisely the people who will have to build a democratic society and who are expected to live in the common European house. They know that it's impossible to live as they do, yet they have no idea of how it is necessary to live.

The communist utopia has really died in Russia, but the last myth still survives – the myth of a rich and just West which is going to save the poor and destitute Russia. Such is the unexpected outcome of the idea of Moscow as the "third Rome." And as long as things haven't changed, the West, whether it wills it or not, will in the consciousness of the Russian people occupy the place destined for the Church.

Larisa Lisyutkina

A NEWCOMER NEWS AGENCY

At a congress entitled "For a Regional Market of Countries of Eastern Europe and Asia," which took place in Moscow on March 25-26, it was decided to set up an East European Business News Agency (the Russian acronym: VEBRA). According to a letter of intent signed at the forum, the agency will be an open-end joint-stock company. VEBRA is being established at the initiative of the state TV and radio company Ostankino, the Union of Entrepreneurs and Leaseholders, the International Centre of Scientific and Technological Information, the joint-stock company Electronic Agency of Commercial Information and a number of other agencies.

VEBRA plans to engage in the speedy dissemination of important commercial information and advertising throughout the region's countries, said Lazutkin, First Deputy General Director of the Ostankino company. According to him, the new agency will inform business circles in different countries of market changes, new laws, etc. VEBRA will store all news and advertising in a data bank.

A working group will name the founders of the agency, write articles of association, and register it. The group will be coordinated by Stefan Todorov of Bulgaria.

THE ONLY ONE AS YET, BUT THERE ARE MORE TO COME

– said Chairman of the Board of the Moscow Optical Centre Mr. Arto Vallila, a businessman from Finland.

Everything began with an accidental meeting three years ago, when Arto chanced to hear Moscow health service officials mention the problem of supplying population with eyewear. As an energetic and enterprising person, Vallila decided to start a business here – open shops selling a wide range of medical merchandise for children and grown-ups not only in Moscow, but in the country's other large cities.

"In spite of the hardships," says Arto, "I think that your society is evolving in the right direction, creating certain optimism in us, foreign entrepreneurs. There are three pillars of success: the right choice of a business, of reliable partners, and of the right moment to start it. We are lucky in this sense. We sell for both rubles and hard currency. The prices correspond to the world level. For instance, an eye-glasses frame costs $13 to $18. We have contact lenses and there are two consulting rooms at our centre."

IN SPITE OF ALL OBSTACLES

The development of entrepreneurship in the Russian Federation is characterized by the following data: cooperative enterprises (numbering 111,000 and employing 3 million people) account for approx. 6 percent of the total production output, while joint ventures numbering 1,168 account for the 18.4 billion rubles' worth of products. By the end of 1991, 8,902 joint-stock companies and 64,729 associations in which state property still predominates were operative in Russia.

Small business in Russia is represented by 200,000 enterprises and their number will reach 10 to 15 million in the future. 30 percent of such enterprises, each employing about 29 people, belong to the private sector.

By the beginning of 1992 there were registered in Russia 182 commodity, stock and commodity-and-stock exchange and the number of brokerage offices reached 23,500. There are 21 stock exchanges of which only 15 sell securities, the share of securities in the aggregate stock-exchange turnover not exceeding 2 percent. Eleven exchanges have a turnover of over 1 billion rubles, that of the Russian Commodity and Raw Materials Exchange being 18 billion rubles. The turnover of most exchanges is about 200 million rubles. The real participation of stock exchanges in the realization of commodities does not exceed 2 or 3 percent for the present. The commercial activity of exchanges was superprofitable before the unfreezing of prices, but now the situation is changing and the activity of exchanges has decreased.

The government plans to create the Russian Federal Fund to support entrepreneurship, it has developed the Programme for the Promotion of Entrepreneurship in Russia and anti-monopoly measures are being taken.

FIRST LIONS CLUB

Russia's renunciation of communist ideology opened the doors to numerous international public Christian organizations. One of the newcomers to the Russian scene is the international Lions Club. The Lions accorded membership to the Moskva-Vesta Club, which was presented at the Marina Tsvetaeva Home Museum on March 21. The Moscow Lions will engage in charity work, as do their co-members from 170 other countries. They plan to start helping Moscow health-care services soon, and seek to revive Russian culture in the capital.

It did not take the Lions long to begin doing their good deeds. At the presentation ceremony, the Swedish and Finnish chapters granted an amount of hard currency and medical equipment to a Moscow maternity hospital, and a joint-stock company of the Russian Commodity and Raw Materials Exchange donated 75,000 rubles to restore the Tsvetaeva Home Museum.

Moskva-Vesta counts among its sponsors the Russian Investment Joint-Stock Company, the joint-stock company Pilgrim, the Russian National Bank, the international financial association Menatep, and other commercial organizations.

ADIDAS FINDS PARTNERS

The office of Adidas in Moscow has announced the company's plans to enter into a joint venture with a new enterprise in order to increase production capacity in the Commonwealth. One of the first steps made to implement this plan was a trip to the city of Rostov-on-Don by the office's commercial director, Mr. A. Kul. There, he visited the Rostov Footwear Manufacturing and Trading Association, and inspected a shop with a floor area of 300 square metres that could be used for a joint venture.

Officials at the region's department of physical training and sport suggested to Mr. Kul that the sports clothes and other articles made by Adidas could be sold through a commercial centre. The articles produced would be bought primarily by the region's professional sportsmen and amateur sports organizations. Financial aspects of the project are being examined by the external economic division of the region's administration and Rostovsotsbank.

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